James Petras & Morris Morley

US HEGEMONY UNDER SIEGE

Class, Politics and Development in Latin America

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US Hegemony Under Siege

Class, Politics and Development in Latin America

JAMES PETRAS
AND
MORRIS MORLEY

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To Betty, who has provided intellectual and political criticism that clarified issues

To Adriane and her comrades struggling against the apartheid state

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Introduction

At least three major, interrelated developments have characterized Latin America's political economy in the late 1980s: the deterioration and breakdown of reformist social-democratic governments; the emergence of mass social movements and rising levels of class struggle; and the revival of the left and center-left (parliamentary and insurrectionary) as consequential political actors. The deterioration of the redemocratization experiments in Argentina, Brazil and Peru, rooted in the collapse of liberal capitalist economic models, has been paralleled by the growth of social movements. These movements encompass a broad array of classes, political orientations, ideologies, occupations, and civil and human rights organizations; they reaffirm the centrality of class politics and class struggle – the two most important features of the contemporary conjuncture. The social movements have emerged throughout the southern hemisphere independently of the neo-liberal and social-democratic political parties and with their own agendas demanding structural transformations, that is, profound changes at the level of the regime, economy *and* state.

Simultaneously, the incapacity or unwillingness of the new civilian regimes of the early and mid 1980s to deal with the fundamental socioeconomic issues led to a steady erosion of their political support, stunning mid-term electoral losses to left and center-left candidates, and impressive performances by populist and left-wing candidates in presidential and key mayoral elections. In May 1989, the Peronist candidate Carlos Menem gained the Argentine presidency with strong populist backing (although he quickly moved to the right). In November, Uruguay's Frente Amplio (Broad Front) coalition reaffirmed its significant national following by capturing almost a quarter of the vote in presidential elections, while its candidate Tabare Vazquez won the

mayoralty of Montevideo for the first time in the left's history – which will give it a powerful voice in the country's domestic politics since almost half of the population live in the capital city. In December, the Workers' Party (PT), led by Luís Inacio 'Lula' da Silva, came within a few percentage points of a leftist presidential victory in Brazil.

Meanwhile, established rightist civilian and military regimes suffered decisive electoral setbacks at the hands of mass-based social movements (Mexico, Chile) and neo-liberal social democrats (Ecuador, Venezuela, Jamaica). In Mexico, the ruling Institutional Revolutionary Party (PRI) survived its most serious electoral challenge ever when the presidential candidate of the leftist National Democratic Front (FDN), Cuauhtémoc Cárdenas, tapped massive popular discontent over the PRI economic program, only to be denied victory in the 1988 elections as a result of massive voter fraud. In Chile, the Pinochet dictatorship was repudiated in a plebiscite attempt to extend military rule through the 1990s and in December 1989 its favored candidate, former finance minister Hernan Buchi, was overwhelmingly defeated in presidential elections by a broad-based coalition that included the parties on the left. In Ecuador, Venezuela and Jamaica, the presidential successes of Rodrigo Borja, Carlos Andrés Pérez and Michael Manley respectively were also largely attributable to the economic failures of the previous regimes.

Nonetheless, while elections throughout Latin America provided evidence that incumbency was a liability and showed a profound alienation with the traditional parties and leaders, the results did not uniformly favor the left. On the contrary, in several important races candidates of the radical right, exhibiting rather unorthodox or non-existent political backgrounds, gained political office. The end of the decade witnessed the emergence of a new electoral process phenomenon: the mass-media packaged, apolitical politician. Confronted by millions of voters disenchanted by the failure of reformist social democracies and potentially receptive to more radical political appeals, the ruling-class owners of the bulk of the means of mass communication threw their support behind rightist-conservative media personalities. Adopting the Reaganite dictum that television elects politicians, the mass media conglomerates began marketing and selling candidates acceptable to the ruling classes at municipal, state and national levels. They achieved considerable success during 1989: in Argentina, the theatrical posturing of Carlos Menem, imitative of television soap opera politics, won the presidency; in Brazil, Fernando Collor, a rich playboy with an ingratiating personality, did likewise, capitalizing on his media background and backed by family-based and related TV Globo networks. In

Peru, right-wing television personality Ricardo Belmont easily won the mayoral contest in Lima, and the novelist and television flesh-pot judge Mario Vargas Llosa briefly achieved presidential prominence; while in Bolivia, radio anchorman Carlos Palenque captured the mayorality in La Paz.

The rise of the mass media-based candidates coincides with the massive increase in direct access by corporate media empires to poor urban and rural households – especially via television. The media candidates are particularly effective where the left political organizations lack a strong direct political presence, for example, in small country towns and other areas of rural Brazil, and among the less politically organized, personally dependent, isolated lower-class groups such as domestic servants and the self-employed. They have also achieved success where the traditional left is engaged in internecine warfare – for example, when two left candidates ran for mayor of Lima – or is identified with a weak, fragmented labor movement such as exists in Bolivia at present.

Without exception, the formula espoused by these apolitical media creations has combined symbolic gratifications for the masses with substantive policies benefiting the dominant classes. All are right-wing free marketeers who blend a downhome folksy style of politics with a hard-nosed, big-business, anti-working class socioeconomic program. All are followers of IMF policies, proponents of an open door to foreign capital, and unbridled advocates of the primacy of foreign debt payments. In sum, the emphasis on personality in such candidates' electoral campaigning for the votes of the popular classes cloaks a socioeconomic agenda that works forcefully against the interests of these same voters.

The Rise and Demise of Liberal Social Democracy

The process of democratic decay had its origins in the late 1970s and early 1980s when military dictatorships in Latin America began to lose their capacity to enforce political control over their populations. Failed military adventures, autocratic and violent domestic rule, and the collapse of free-market economic models triggered a new cycle of social mobilization supporting a return to civilian rule. After agreeing to negotiate political transitions, however, the generals established the parameters within which the new civilian governments would operate – designating who was eligible to participate and who was excluded. Electoralists committed to legal-political changes rather than any fundamental reform of the economy or state (especially the military bureaucracy) were encouraged. The result was a redemocratization

process that did not extend beyond the change of regime. In every instance the new civilian regimes assumed power, and continued to operate, within the socioeconomic framework of the pre-existing authoritarian state structures.

From the outset, the elected governments were forced to confront difficult policy choices between 'internal' and 'external' constituencies: on the one hand, domestic political stability depended on their capacity to deal with an array of political, economic and human rights problems inherited from the military; on the other, international economic credibility depended upon their ability to maintain onerous foreign debt payments and other obligations to external creditors – another legacy of the previous autocratic regimes.

The popular euphoria associated with redemocratization was initially sustained by government policies relatively easy to implement: the restoration of civil liberties and press freedoms; the prosecution of some high military officials for human rights abuses in the case of Argentina; a round of wage increases; and official declarations of an intention to 'reform the old order'. But these measures could not sustain public support indefinitely, given the severity of the socioeconomic problems. After the honeymoon period, each elected president confronted burgeoning demands for action by salaried workers, the urban poor, and peasants, to arrest declining living standards by tackling their root causes: hyper-inflation, unemployment, cutbacks in public spending, and so on. Forced to choose between the needs of domestic and foreign constituencies, these electoral regimes established their priorities in a manner that overwhelmingly favored overseas bankers and investors. Servicing the debt took precedence over popular demands related to jobs, wages, public investment, and local consumption.

Argentina

Failed economic policies, revelations about their behavior in prosecuting the 'dirty war' during the late 1970s, and overwhelming defeat by the British in the struggle for control of the Malvinas Islands in 1982 forced a disgraced Argentine military 'back to the barracks' and a return to electoral government. In October 1983, the Radical Party's candidate Raúl Alfonsín won the presidency campaigning on a platform of social and economic reforms. The new civilian regime initially implemented a series of limited changes: wage increases, new food, health and housing programs, price controls, tax reform, import and exchange controls, and so on. But these policies failed to achieve their targets. Spiralling inflation, continuing price increases and tax evasion, the dominance of

speculative finance capital over new productive investments, a stagnating agricultural sector, a lack of dynamic industrial growth, and a rising foreign debt forced a shift in government priorities: the subordination of domestic to external commitments.

In return for an IMF stabilization loan, Alfonsín agreed to impose the traditional Fund austerity measures: wage controls; freeing prices; cuts in public expenditure; and a rigid monetary policy. With no economic recovery in sight by the end of 1984, the civilian president began to discard the last vestiges of his original populist platform. In June 1985, bowing to IMF private foreign bank pressures, the government intensified its austerity program (the shock treatment 'Austral Plan'). While real wage levels continued their downward spiral, massive cutbacks in state spending not only had a disastrous effect on social services (health, education, sanitation) but meant that hundreds of millions of dollars of public works were left unfinished or simply shelved.

Meanwhile, Alfonsín continued to adhere rigorously to a debilitating debt interest payments schedule. Between 1983 and 1988, Argentina was a net exporter of capital: $28 billion left the country in the form of principal and interest payments while less than $16 billion in new loans flowed into the economy. At the same time, the total foreign debt jumped from $46 billion to just over $60 billion. In 1987, interest payments accounted for an astronomical 56 per cent of the country's export earnings. Over the same period, workers' purchasing power fell by almost a third. In the run-up to the mid-term elections, the regime confronted an almost unbroken succession of wage-related strikes by workers in the public sector.

In August 1987, the Argentine electorate passed devastating judgement on Alfonsín and the Radical Party's economic program. The opposition Peronists won a plurality of the popular vote, captured sixteen out of twenty-two governorships (the Radicals retained only two), and deprived the ruling party of its majority in the lower house of Congress. The President acknowledged the socioeconomic roots of the electoral setback and promised a 'new approach', but the byword in economic policy since then has been continuity rather than change. In October 1988, Alfonsín signed an agreement with the World Bank for $1.25 billion credits in exchange for drastically slashing import tariffs – almost certain to have a catastrophic impact on local industry. Upon signing the letter of intent with the Bank, Alfonsín immediately eliminated $1.5 billion in monies already allocated to provincial governments and pension funds. Two months later, the central government announced plans to sell off 40 per cent of the national airlines and 40 per cent of the state-run telephone company.

At the beginning of 1989, Alfonsín confronted two major problems,

one posed by the resurgent electoralism, the other by the armed forces. The Peronist movement had nominated La Rioja governor Carlos Menem as their presidential candidate in the May elections on a platform calling for a 'productivity revolution' based on increased wages, lower taxes and a debt moratorium, but also on new guarantees to the private sector and a social pact between business and labor. The election itself produced a decisive Peronist victory over the Radical Party. However, on assuming political office in early July, Menem immediately began shedding any remaining vestiges of Peronist populism in a headlong pursuit of accommodations with local and foreign capital. The first indication of this policy shift was the appointment of representatives of big business and the radical liberal right to key economic and political (cabinet and non-cabinet) posts: the Minister of Economy, Miguel Roig (who died within days of the new government) and his successor Nestor Rapanelli, were both former chief executives of the country's largest corporate conglomerate, the grain traders Bunge y Born; the Foreign Minister Domingo Cavallo was President of the Central Bank during the last military regime. Labor Minister Jorge Triaca, a conservative unionist businessman, pledged that the General Confederation of Labor (CGT) would place a two-year moratorium on general strikes; and the new head of the state oil company (Yacimiento Petrolíferos Fiscales) supported an increased role for overseas petroleum multinationals in Argentina.

Since July 1989, Menem's economic program has revealed itself to be little more than a replica of the failed policies of his civilian and military predecessors. It has tacitly repudiated state ownership of key industries, committed the government to large-scale privatization of public enterprises, emphasized the importance of further opening up the economy to foreign investment, accepted all inherited foreign debt obligations, and turned to IMF-mandated strategies as the key to economic revitalization and development. Indeed, discussions with the Fund in the search for fresh funding was a priority item on Menem's initial policy agenda, and capitulation to the institution's dictates was evident in the government's first economic package – a 'shock treatment' anti-inflation plan that included a currency devaluation and massive increases of up to 600 per cent in public service charges for electricity, gas, petrol, and telephones. By the year's end, however, the economy was in disarray. Inflation had reached astronomical levels, producing a new round of government austerity measures including increases of up to 175 per cent in food prices, 60 per cent to 80 per cent rises in the cost of bus fares, natural gas, electricity, water and gasoline, and a further 35 per cent devaluation of the austral. Just as the populist (wage-tax) aspect of Menem's electoral program ensured support from the Peronist

power base within the trade union movement and the mass opposition to continued Radical Party rule, so his post-electoral betrayal is certain to provoke a mass popular revolt – and increasing reliance on the armed forces.

The resurgence of military influence in politics has, to a significant degree, been a function of government 'invitation' rather than external imposition. There were three armed forces' rebellions over the past two years centered on two broad areas of discontent: widespread resentment over prosecutions of military officers for brutal human rights abuses during the 'dirty war' in the late 1970s; and demands for improved pay, benefits and status for the armed forces and its personnel. In the wake of each uprising, Alfonsín capitulated to military pressure, granting impunity to the vast majority of officers charged with human rights violations – which only encouraged new military demands on the civilian regime. The end result was Alfonsín's decision to promote, praise and integrate the armed forces into his 'internal security' policy.

Following the seizure of the La Tablada military base outside of Buenos Aires by a group of heavily armed civilians in January 1989, Alfonsín turned to the armed forces in a fashion that, at least potentially, boded ill for the future of democracy in Argentina. Describing the La Tablada takeover as 'the most serious and decisive challenge' to his presidency, Alfonsín pledged a new campaign against subversion and announced the creation of a National Security Council to gather intelligence and advise the government on strategies for combating 'subversive movements'. A veritable witch-hunt was organized against sectors of the left opposition – with the blessing of the regime, political rights were violated in the style of the 1970s. Alfonsín's complicity in propagating the notion of a revitalized and active insurrectionary left played directly into the hands of those not insignificant sectors of the armed forces convinced, like their counterparts dominant in Chile, that democracy provides the optimum conditions for 'terrorism' (the left) to flourish.

Since Menem assumed the presidency, Argentina's civilian rulers have continued to forge a tacit alliance with the armed forces. In October 1989, this process received a major boost when Menem decided to effectively 'disappear' the problem of the thousands of civilians who permanently disappeared during the generals' 'dirty war' between 1976 and 1983. To assuage the military's concerns and forestall the possibility of a coup, he pardoned more than two hundred officers, of whom thirty-nine, including sixteen generals and two admirals, had been charged with human rights abuses during the 'dirty war' period.

Brazil

Since the transition from military dictatorship to civilian government in 1985, the ruling Brazilian Democratic Movement Party (PMDB) and its President José Sarney suffered a steady erosion of the popular support that ensured its electoral victory. Notwithstanding its original social democratic, reformist message, the PMDB presided over a steady deterioration in the living standards of the masses, provoking increasing political unrest and worker militancy leading to decisive mid-term electoral setbacks. One consequence of these developments was a growing inclination on the part of Sarney to re-involve the military as a direct participant in the country's sociopolitical struggles.

Under neo-liberal policies, real wages fell sharply. Escalating inflation (around 1,000 per cent in 1988) consistently outstripped salary increases, resulting in a marked loss of workers' purchasing power. Real wages declined by almost half since 1986. Approximately 60 per cent of the work force earned less than $100 a month and an estimated two-thirds of the population suffered from malnutrition. In November 1988, the government negotiated a 'social pact' between business and labor intended, among other things, to control price increases; but it neglected to include any enforcement mechanism. Meanwhile, Sarney continued to meet Brazil's commitments to its overseas creditors. During the first three years of his presidency, $45 billion flowed out of the country in principal and interest payments on the debt compared to new capital inflows (loans, credits) totalling $13.5 billion.

Labor's response to deteriorating economic conditions was increased militancy and political confrontation with the state. During the last quarter of 1988, almost one million public sector employees, including workers in government ministries, and the petroleum and steel sectors, participated in economic strikes against the regime. To counter this rising level of class struggle, and to reimpose 'order and stability', Sarney turned to the armed forces. Government-sponsored military violence against organized labor reached a high point on 10 November, five days before nationwide municipal elections, when the armed forces bloodily repressed a strike at the state-owned National Steel Company. Approximately 800 soldiers and police ruthlessly evicted 2,500 workers demanding wage increases to keep pace with inflation and employment conditions guaranteed in the newly ratified constitution. Three trade unionists were killed and over fifty wounded – a visible indication of the military's preparedness to use maximum force to crush threats to 'political stability' and 'national security'. But repression did not stop rising labor militancy. In March 1989, approximately thirty million workers and peasants supported a general strike against the regime.

The Sarney government not only presided over a catastrophic decline in living standards but also revealed itself to be one of the most corrupt regimes in Brazilian history. More than half of all social program expenditures disappeared in maintaining the overstaffed bureaucracy. All levels of the state and central governments, including the police force, were characterized by mismanagement and corruption. In 1988, a congressional committee investigated charges of illegal activities by federal government personnel. Its findings accused thirty-two senior officials, including President Sarney, his legal advisor, and the Minister of Planning, Transport and Finance with 'irregularities', or the mismanagement of government funds.

Reflecting the growing popular disillusionment with the Sarney government, the left scored impressive victories at the expense of the ruling PMDB in the November municipal elections – raising the distinct likelihood of a similar result in the December 1989 presidential elections. The PMDB not only lost control of all the state capitals in the southern heartlands but even ran poorly in its traditional northeastern strongholds. The largest gains were made by the Workers' Party (PT), headed by Lula which polled strongly among the urban working class, winning the mayoralty of the country's most industrial and populous city, São Paulo, and the Brazilian Democratic Party (PDT), led by the charismatic populist Leonel Brizola, which attracted widespread support among the urban poor in Rio de Janeiro and the major provincial cities. Both Lula and Brizola emerged as serious presidential contenders, much to the consternation of the military. However, two potential obstacles stood in the way of future electoral successes: the still formidable power of the armed forces, who might mount a military coup; and the left's willingness to accommodate the demands of the bankers or local capitalists for orthodox economic policies, thus antagonizing its political supporters.

Although it relinquished formal political power in 1985, the military left the civilian politicians in no doubt that they ruled with the consent of the generals. To accommodate the armed forces' institutional and 'national security' concerns, the Sarney government increased the military budget and allowed the coercive apparatus to retain control, or at the very least a powerful voice, over the country's nuclear policy, arms industry, and intelligence-gathering activities. Moreover, the new civilian constitution approved in November 1988 included no clauses designed to curb the military's authority – or, in effect, to redefine its historic role as the ultimate arbiter of political change in Brazil.

Another indicator that Sarney understood, and willingly accepted, the permissible parameters of civilian rule was the exclusion of the military bureaucracy from the economic austerity packages. On 15 January 1989, with the annual inflation rate approaching 1,500 per cent, Sarney

announced the government's fourth economic stabilization plan, calling for wage and price freezes, devaluation of the currency, and a reduction in the size of the bureaucracy, including the laying off of an estimated 60,000 state employees. None of the five armed forces ministries were among the five out of twenty-seven ministries targeted for elimination.

The armed forces' high command viewed Lula as a dangerous radical but was no more enamoured of Brizola, for whom they had a longstanding distrust. This had originated from Brizola's period as governor of Rio Grande do Sul when his populist policies and takeover of foreign-owned enterprises contributed to the 1964 military coup against his brother-in-law João Goulart's nationalist regime. In the current economic crisis, it was not beyond the bounds of possibility that the generals could have defined the growth of the left as a threat to its traditional dominance of Brazilian politics, paving the way for a pre-election coup. Certainly, the threat was greater than at any time since the civilians assumed power in 1985.

The other danger for the left was that once involved in an institutional electoral framework its relations with the dominant elites would become more salient than its ties to the mass movement, such that its political program shifted from an emphasis on changing the system to one of assuming responsibility for managing it more effectively. There were indications that the left's presidential candidates were seeking to forge accommodations with these groups. Brizola abandoned earlier threats to nationalize the private banking system, avoided taking firm positions on such key issues as land reform, the foreign debt, and the state's role in the economy, lavished praise on the armed forces and, sensing rightist 'preferences', stepped up his attacks on the more radical Lula and especially the Workers' Party itself. Meanwhile, Lula himself had begun to voice positive sentiments about the multinationals, the role of foreign investment and cooperation with the military, and had also proposed that the PT fight the election campaign in alliance with a more centrist political party.

Not surprisingly, the left candidates' continuing efforts to accommodate the dominant institutional and economic groups in the quest for electoral gains at the expense of mass mobilizations of their lower class constituencies severely weakened the chances of either Lula or Brizola gaining the presidency. Survey polls in mid 1989 revealed a commanding lead for the rightist governor of Alagoas state, Fernando Collor. Essentially a creation of the mass media and big business fearful of a possible leftist victory, Collor, who supported the ruling military's unsuccessful presidential candidate in the 1984 presidential elections, attempted to portray himself as an 'anti-government' Christian populist opposed to the left and the right.

The Collor electoral campaign was orchestrated by the powerful TV Globo media empire (the Alagoas affiliate is owned by Collor's family) which promoted the political image of a dashing, polished, uncorrupted non-politician warring against the traditional old style Brazilian politics. Favored by the local ruling class, the armed forces, and Washington, Collor articulated the simplistic Reaganite 'outsider', anti-communist, free market message, declaring his readiness to negotiate with the IMF and to implement its directives for privatization and public spending cuts in return for new financial support.

Reflecting the poll results, the first round of the presidential election in mid November produced a comfortable victory for Collor (28 per cent of the vote) over Lula (16 per cent) who just edged out Brizola (15 per cent) to represent the left in the second round of voting four weeks later. During the interregnum, Lula and the Workers' Party refocused their efforts on mobilizing their natural working-class constituency with promises of land reform, attacking the vast inequalities in wealth and income and declaring a moratorium on foreign debt payments. As the polls began to reflect substantial electoral gains by Lula, Collor resorted to a crude and vociferous anti-communist rhetoric while the capitalist class threatened to destabilize the economy if the election went against its candidate. 'If Lula is elected President,' thundered Mario Amato, head of the powerful São Paulo Federation of Industries, '800,000 businessmen will leave the country.'

To the relief of the Brazilian ruling class, its military allies and the Bush administration, the electoralist left did not recover sufficient ground in time. Collor and his public relations machine won a narrow victory in the presidential vote of 18 December. But while the extreme right has gained parliamentary power it is unlikely to pursue policies that will reverse the steady deterioration in the socioeconomic status of the masses. As a result, the most probable outcome is for the left to increase its support, and for the level of class struggle to rise accordingly, leading to new confrontations between an expanding democratic mass social movement and the rightist-military forces.

Peru

The demise of military rule in Peru and the election of the civilian rightist Belaunde government in 1980 deepened the country's economic crisis. Belaunde's neo-liberal, free-market, open-economy approach and the priority status he accorded to satisfying foreign creditor obligations led to a steady erosion of political support, culminating in the overwhelming defeat of his party's candidate in the 1985 presidential elections. The

social democratic American Popular Revolutionary Alliance (APRA) standard-bearer Alan García swept to victory promising social development, agrarian reform and economic growth. During the first two years, the new government committed large-scale credits to agriculture, substantially increased public spending, and lowered inflation levels. Subsequently, the reforms began to falter due in large part to the unwillingness of the capitalist class to commit itself to large-scale, long-term productive activity instead of capital flight, poor planning, official corruption and an obstructionist oligarchy that successfully blocked efforts to nationalize the banking system. By early 1988, the government confronted runaway inflation, large-scale capital flight, a weak currency, declining financial reserves and rising budget deficits. In the interim, moreover, there had been massive cutbacks in public spending and soaring increases in the prices of basic foodstuffs, generating widespread malnutrition and plummeting living standards among the nation's lower classes. García's problems were complicated by continuing political violence between the regime and its armed forces, and the Sendero Luminoso (Shining Path) guerrillas.

In a series of failed efforts to control inflation (which topped 1,700 per cent in 1988), García enacted three separate austerity economic programs. In September, the government announced its third and harshest economic package in an effort to halt the worst inflation in the country's history and boost the export sector. The centerpiece of the IMF-styled 'Plan Zero' was a 300-per-cent increase in the price of gasoline, medicines, cooking oil, and other basic food staples and consumer goods. Instead of achieving its stated objective, 'Plan Zero' produced the opposite effect: a worsening recession and hyper-inflation. Overnight, wage workers lost a third of their salaries. The resultant food shortages increased the spread of malnutrition among the children of the Lima shanty towns and the remote villages of the Andes. A teacher in a highland village reported that 'many children are so hungry that they are eating newspaper'. In the cities, unemployment rose as the sharp drop in purchasing power and lowered demand contributed to production slowdowns, forcing numerous small and medium-size enterprises to lay off employees. Over the twelve-month period, the economy contracted by 10 per cent, workers' purchasing power plunged by almost 50 per cent, and the minimum wage fell to 50 cents a day.

Economic impoverishment led to a resurgence of class struggle politics: hundreds of thousands of workers throughout the country (especially in the mining, textile, education and state sectors) participated in waves of strikes and anti-regime demonstrations. In Lima, the beggar class proliferated while workers demonstrated on an almost daily basis for wage increases to keep pace with inflation. The massive erosion

of popular support for the government, together with widespread dissatisfaction with its handling of the guerrilla conflict, and internal opposition within the ruling APRA party, produced mounting pressure on García to resign. Although ousted from his position as Secretary-General of APRA, he resisted calls to vacate the presidency before his term of office expired. At the same time, he announced he would not seek re-election. Meanwhile, García pushed ahead with his austerity-based economic programs, announcing a new round of price increases on basic food items (rice up 33 per cent, bread up 50 per cent) in late December. Through 1989, the cycle of worsening inflation, new austerity packages, and rising mass opposition continued apace.

The Belaunde and García governments were discredited not only by their economic policies but also by their failure to respond effectively to the Sendero Luminoso guerrilla movement – the most recent expression of rural Peru's historic resentment of socioeconomic discrimination by central governments in Lima. Originating in the province of Ayacucho in 1980, its political organizing and military activities – economic sabotage, the assassination of political and military officials, and so on – spread nationwide by 1984. Belaunde unleashed the armed forces who instituted a reign of terror in the countryside in an unsuccessful effort to obliterate the insurgency. Initially, García promised to impose greater control over the military's operations and to pursue a negotiated settlement with the Sendero. With the latter's refusal to enter peace discussions, and with new outbreaks of bombings in Lima, the military was given greater autonomy by the social democratic president to wage the counter-insurgency struggle.

From 1986, García conceded wide powers to the military in the war against the Sendero, resulting in increased human rights abuses against civilians in the form of routine torture and mutilation, arbitrary arrests, extra-judicial killings, and disappearances. According to Americas Watch and other independent human rights organizations, the overwhelming majority of the estimated 15,000 victims of the conflict to date have lost their lives at the hands of the coercive (military and police) apparatus of the Peruvian state. Such officially sanctioned violence has failed dismally to crush the Sendero or to contain its popularity within the rural regions. Today, the Sendero not only control most of the Central Andean highlands, but have also developed urban support bases within universities, trade unions, left political parties, and especially among the slum dwellers who increasingly view the revolutionary option as the only path to the achievement of individual and collective goals. In Lima, the guerrillas have even participated in public demonstrations.

In 1988, President García gave the armed forces even more latitude in prosecuting the counter-insurgency war. About 60 per cent of the

population now reside in designated emergency zones where the military and police wield extraordinary powers. The result has been a continuation of widespread human rights violations against the civilian population. A more sinister development since 1988 has been the rise of rightist paramilitary death squads (most notably the Rodrigo Franco Command) with links to senior officials in government, the ruling APRA party, the armed forces, and the police, whose targets for torture and assassination have been the cadres of the mass movement (for example, union leaders) and alleged Sendero supporters. Concurrently, Sendero human rights abuses have also worsened as its political sectarianism has intensified. Its killings have widened to include not only members of the armed forces and police but also elected officials, government development workers, and even representatives of the United Left.

A political consequence of the García economic-military debacle has been increased support for the electoral left which emerged as a significant parliamentary force during the Belaunde era. In the 1985 presidential elections, the candidate of the United Left coalition, Alfonso Barrantes, the mayor of Lima, received 22 per cent of the total vote. Barrantes was renominated as the coalition's presidential standard-bearer for 1990 and electoral surveys conducted during the first half of 1989 showed the United Left leading the rightist-oligarchical Democratic Front (Fredemo) in both the presidential and legislative races, with APRA candidates running a distant last. However, divisions over the Barrantes candidacy precipitated a major split within the left, the formation of Socialist Convergence, and the subsequent announcement of two presidential candidates (Barrantes for the Socialist Convergence, Henry Pease for the United Left). Simultaneously, support for Fredemo's presidential nominee, the novelist and free marketeer Mario Vargas Llosa, rose appreciably in the context of a united right which spoke of 'arming all the people to fight the Sendero' – portending an even freer hand for the paramilitary death squads under a Vargas Llosa government.

In the November 1989 municipal elections, Fredemo candidates won twenty-three of the forty mayoral contests in suburban Lima, while all eighteen incumbent mayors belonging to García's APRA party were ousted from office. In metropolitan Lima, a right-wing independent, Ricardo Belmont, won the mayoralty by a large margin over the Fredemo candidate. A television and radio personality who ran on an exclusively 'anti-politician' platform, Belmont pledged his support to Vargas Llosa in the presidential race. While fragmentation among the left predictably weakened the chances of candidates in several cities, the United Left still achieved mayoral victories in Ayacucho, Cuzco, Puño, Abancay, and the mining center of Cerro de Pasco.

Despite Fredemo's mayoral victories and polls showing its candidate well ahead in the race for the presidency at the beginning of 1990, the April election produced an astonishing upset: despite a $10 million campaign and heavy Bush administration support, the rightist Vargas Llosa was upset by a virtual unknown, Alberto Fujimori, who captured the protest vote of the center and the left. Fujimori's election, however, will solve nothing. His lack of a program, party, or strategy in the context of rising Sendero power, disappearing constraints on the armed forces, and a disintegrating economy, suggests that this may be the last election before a fundamental reordering of Peruvian politics. Given the fracturing of the traditional left, the nation seems destined to confront a choice between the armed forces and paramilitary – death squad allies, the authoritarian collectivism of Sendero, and the vacuous politics of the nondescript Fujimori-led 'Change 90' movement.

Social Movements and Political Electoralists

The developments in Argentina and Brazil point to an increasingly common feature associated with the transition to electoral regimes: the temporary success of liberal and social democratic politicians in coopting the social movement *prior* to elections, and the subsequent divergence of interests between the social movements and the electoral political class as the latter accommodate the socioeconomic interests of internal and external elites. This ascendancy of the electoralists over the mass movement, evident elsewhere in Latin America, has only recently begun to manifest itself in Chile where political change has occurred within the framework of a military constitution and economic model which will constitute the operating environment for the new civilian rulers.

Chile

Over the past decade, the Chilean economy has moved through two distinct periods. The Pinochet dictatorship's IMF–monetarist–free market experiment of the late 1970s and early 1980s, after an initial boom in the financial, import and foreign investment sectors, precipitated a devastating recession. Industrial production plummeted, thousands of small enterprises went bankrupt, the trade deficit worsened, and the living standards of the mass of the population deteriorated as wages declined and unemployment rose. The economy's contraction was of such magnitude that the generals, in early 1983, were forced to halt principal repayments on the foreign debt.

Since 1984, however, the economy has experienced five consecutive

years of economic expansion – the GDP increasing at an average annual rate of between 5 and 6 per cent. This resurgent growth was fuelled largely by booms in industrial production and agricultural exports. It also featured low inflation (at least by regional standards) and a reduction in the foreign debt. But the major beneficiaries of this economic recovery were a narrow stratum of local and foreign capitalists. Between 1980 and 1987, for instance, the profits of the country's top two hundred companies increased fivefold. During this same period, the socioeconomic status of the Chilean masses worsened immeasurably: real wages declined by 15 per cent and minimum wage earners made 40 per cent less in 1987 than they did in the 1978–81 period. Of the almost half the population living below the poverty line, around 50 per cent were trapped in conditions of extreme impoverishment.

Amid the period of economic expansion, a decisive shift took place in Chilean politics. Between 1983 and 1986, a broad array of civic, community, party and trade union organizations converged toward a formidable, unified mass social movement intent on challenging the legitimacy and authority of the Pinochet dictatorship and forcing a change in the regime. In late 1986, however, the opposition challenge was transformed when a group of rightist, centrist and social democratic political parties, the Democratic Alliance (AD) broke with its left-wing coalition allies, the Democratic Popular Movement (MDP), forging a dramatic accommodation with the military regime in return for future political rewards. The AD decided on a change of tactics, displacing social mobilization and mass protests with 'political-electoral' manoeuvers and a purely institutional struggle. The new political line reflected the AD's commitment to an elitist conception of a managed transition that preserved the power and prerogatives of the military and the dominant economic classes in the post-Pinochet era. This shift was linked to pressure on the AD – exerted by Washington, the local capitalist class, and the armed forces – to reach a political arrangement with the generals in order to secure an electoral regime willing to preserve the Pinochet structures. Within the AD, the reformist parties became well and truly subordinated to the conservative sectors, most clearly illustrated by the August 1987 election of the rightist Patricio Alwyn to replace the liberal Gabriel Valdes as president of the Christian Democratic Party.

In October 1988, after fifteen years of brutal military rule, the Chilean electorate blocked Pinochet's attempt to extend his presidency for another eight years. While publicly accepting the plebiscite outcome, and the requirement for national elections in late 1989, the electoral loss did not constrain Pinochet's ability to profoundly influence and control the nation's long-term political and economic direction. Under

the terms of the 1980 military constitution, the coercive institution retained exceptional powers after 1989. Pinochet himself remained Commander-in-Chief of the Army for eight more years, a permanent member of the powerful National Security Council, and was allowed to appoint approximately one-fifth of the Senate's membership during the new civilian president's term of office. Seeking to further enhance its long-term control over key state institutions, the military regime also moved successfully to hasten the retirement and replacement of eight of the seventeen justices of the Supreme Court with the offer of exceedingly generous pension packages in the months preceding the December 1989 presidential election. Although just short of an outright majority, the new appointments are certain to profoundly influence the Court's behavior during the 1990s.

In July 1989, Pinochet agreed to a package of constitutional changes that were overwhelmingly approved by Chilean voters. They included increasing the number of elected senators, lifting the ban on the propagation of class struggle doctrines, and the appointment of civilians to half the seats on the National Security Council. But none of these changes significantly diminished the power or policy veto of the armed forces over any new civilian rulers. Effective control of the National Security Council still resided with the generals and under Articles 90 and 41 of the 1980 constitution, the military still retained the authority to intervene directly or indirectly against the elected politicians.

Since the plebiscite setback, Pinochet moved not only to institutionalize the military's influence over the political system but also to ensure the long-term survival of the military's 'free market' economic model. In the third major privatization offensive since 1973, the Chilean dictator proposed a series of new laws to sell off largely profitable state-owned companies in the mining, shipping, utilities, insurance and transport sectors. Even more important, the regime brought in legislation, just prior to the presidential contest, to create a newly autonomous Central Bank, responsible for directing monetary and exchange rate policies, and for regulating the entire fiscal system – with the Finance Ministry and the Senate retaining only minimal oversight power. The Bank will be managed by a five-member Board, chosen by Pinochet, that cannot be removed for periods of up to five years. Such laws, nominations, and constitutional obstacles further narrow the parameters within which any civilian government can pursue independent economic policies.

Despite the fact that the military determined the framework within which parties were required to work, most of the opposition forces decided to contest the December 1989 elections. As the election approached, however, the continuing struggle between the dynamic social movements that emerged in the early and mid 1980s and the center-right political

electoralists seemed to have, at least temporarily, resolved itself in favor of the latter. The greater the opposition's convergence and unity, the more the electoralists took over command of the movement. And among senior political figures within the AD parties, reassurances to local elites and foreign investors about substantial continuity in economic policy became the order of the day. Patricio Alwyn, the rightist Christian Democratic presidential candidate of the United Opposition, reached a basic agreement with the 'enlightened' Pinochet right to preserve the current export-oriented economic model. Meanwhile, key members of the Alwyn team told American, West European, Japanese and Australian capitalists with large investments in Chile that a Christian Democratic-led government would 'work within the existing mechanisms' established by the Pinochet dictatorship.

The multi-party coalition headed by Alwyn won a decisive victory in the December election, gaining an outright majority of the popular vote (55 per cent). But the military constitution ensured that presidential success was not accompanied by a parliamentary majority – despite the fact that the opposition won twenty-two of the thirty-eight contested Senate seats. Pinochet's authority to appoint nine Senators gave the rightist-military forces a three-seat majority and, therefore, the power to veto any legislation or proposed constitutional changes submitted by the new civilian regime.

The December vote gave the electoralists a share of political power. But as they proceed to implement policies which combine limited social reforms and collaboration with the Pinochet state, a deepening of the existing contradictions in Chilean society is likely, while the resurgence of the mass movement and class struggle politics is inevitable.

The Liberal-Socialist Revival

A third major political trend in contemporary Latin America has been the defeat of established rightist regimes by neo-liberal social democrats. In two of the three cases discussed below, the newly installed presidents were former heads of government during the 1970s, promoting economic and political nationalism at home and aboard. As civilian rulers in the 1980s, however, they revealed a much greater willingness to accommodate the demands and requirements of the international capitalist environment. Social democratic reformists in the expansive 1970s have become neo-liberal conservatives in the crisis-wracked 1980s. The dictates of IMF austerity in social and economic policies have predictably, and swiftly, eroded support for these neo-liberal regimes. State and municipal elections in Venezuela in December 1989 – the first post-presidential

election test for the Perez government – produced a massive repudiation of the ruling Acción Democrática (AD) party in the form of a voting abstention rate of between 70 per cent and 80 per cent.

Ecuador

In August 1988, the newly inaugurated reformist Ecuadorian president Rodrigo Borja assumed power over an economy destabilized by plummeting oil export prices, natural disasters (like the 1987 earthquake) and the devastating consequences of the free-market policies pursued by his rightist predecessor, Leon Febres Cordero. During 1987, GNP had fallen by 3.5 per cent; inflation had reached 60 per cent; over half the work force were under- or unemployed; and the fiscal crisis forced a temporary halt to debt interest payments. At the time of the political transition, Ecuador was $1 billion in arrears to its foreign private bank creditors.

On assuming office, Borja moved quickly to improve the civil liberties environment which had markedly deteriorated under Febres Cordero, signing peace accords with two local guerrilla movements. In the socioeconomic sphere, however, despite the reformist rhetoric of the election campaign, Borja has made it a priority not to antagonize the dominant local and foreign capitalist actors within the national economy.

Soon after the election, he unveiled an emergency economic package to tackle the recession and the budget deficit. It was a mixture of limited reforms and austerity measures: an increase in the minimum wage and prices on some basic foodstuffs, health programs, import restrictions, currency devaluation, and a doubling of petroleum costs. Organized labor, which had actively supported Borja's presidential candidacy, denounced the oil price rises and mobilized workers' strikes against the regime. After entering office, Borja also greatly modified his position regarding an expanded state role in the economy, ruling out any intention of nationalizing the banking system or enterprises in the industrial sector. On the debt front, interest payment schedules to the IMF and the World Bank have been maintained, a number of bilateral debts with capitalist creditor governments have been refinanced, and Borja has expressed interest in discussing the post-February 1987 suspension of payments to the foreign private banks (owed over 60 per cent of Ecuador's $11 billion external debt) with representatives of these financial institutions. Furthermore, the government has made it clear that it is prepared to enter into renegotiation talks without preconditions on its part.

Venezuela

In 1973, Acción Democrática's (AD) Carlos Andrés Pérez was elected to a five-year term as Venezuelan president on a reformist platform, which included promises to nationalize the US-owned iron ore and petroleum industry, to finance nationally anchored capitalist development, and to implement a comprehensive set of social programs. In the immediate post-election period, Pérez carried out a selective nationalization policy and took a limited number of populist socioeconomic measures. But he then reverted to an entrepreneurial capitalist development strategy based on inducements to attract new foreign investment in 'downstream' sectors of the economy. However, the most lasting legacy of the first Pérez administration was the populist rhetoric and the oil-financed social programs of 1974–75, factors that loomed large in his presidential election victory of 1988.

The demise of the AD government of Jaime Lusinchi (1983–88) was rooted in Venezuela's worst ever economic crisis. International reserves suffered a dramatic fall from $9.9 billion in 1986 to $6.6 billion in 1988. The oil-rich country's treasury was almost exhausted by a combination of government operating expenses, bureaucratic corruption, and public works expenditures. Average real wages declined by just under 40 per cent. Finally, despite its massive petroleum wealth, the foreign debt situation worsened considerably under AD management. Since the international debt explosion in 1982, Venezuela had remained the only Latin American country making all its debt payments on time. In 1987, the government refinanced $21 billion of its debt, only to announce the following year that it could not meet the refinancing terms. The sharp decline in living standards under AD's economic rule, as well as growing public criticism of human rights abuses by the military and police during the latter part of the Lusinchi presidency, triggered a dramatic increase in anti-regime demonstrations throughout 1987 and 1988. Against this background, the return to office of AD and its leader Carlos Andrés Pérez was almost a foregone conclusion.

Pérez campaigned for the presidency on a vague program of economic revitalization, including promises to improve living standards, to renegotiate the foreign debt payments schedule, and to decentralize government through privatization of state-controlled activities. Immediately following his victory at the polls on 4 December, Pérez placed on hold $700 million in debt interest payments due in 1989, and called on Latin American countries to form a 'pressure bloc' to 'break the debt dike'. He explicitly rejected debt repudiation in favor of devising a common regional approach to dealing with the creditor nations to achieve the best possible payment schedules. But the pre-election populist rhetoric

quickly evaporated as the new government swung in the direction of a more conservative approach, reflected in appointments to key economic posts of individuals supportive of privatization, the limitation of price controls and a free market economy. Perhaps the most significant indicator of the likely direction of socioeconomic policy has been Pérez's turnabout in his attitude toward the IMF.

Venezuela's sustained economic crisis during the second half of the 1980s was due partly to slumping oil revenues occasioned by a fall in world market prices, but even more to the Lusinchi government's total capitulation to the demands of the country's foreign creditors. Between 1984 and 1988, interest payments ($25 billion) amounted to approximately 80 per cent of the total foreign debt ($30 to $32 billion). On 31 December 1988, the AD government, alarmed over this steady erosion of hard currency, announced a moratorium on principal repayments to its foreign private creditors (extended to public creditors in mid February 1989). It then turned to the IMF for a temporary 'bail-out', negotiating an austerity stabilization loan in return for a commitment to devalue the currency, eliminate subsidies on foodstuffs and other basic items, increase the costs of state services and goods, and sell off a number of publicly owned enterprises. When Pérez took office on 2 February 1989, he abruptly repudiated his earlier denunciations of the IMF stabilization programs as 'economic totalitarianism' and defended the newly signed accord on the grounds that 'the IMF is changing'.

In late February, the Pérez government gave its imprimatur to the Fund strategy, formally affixing its signature to a $4.6 billion loan package and accepting responsibility for implementing the austerity program with its attendant public spending and subsidy cuts that would disproportionately impact on the living standards of the Venezuelan masses – to whom Pérez, in large part, owed his electoral victory. The first round of the 'shock' treatment included an almost overnight 80 per cent increase in the price of gasoline and other fuel items, and a 30 to 50 per cent rise in public transport fares. These actions sparked nationwide riots and demonstrations. The government responded by suspending constitutional guarantees in a number of major cities and sending in the military who proceeded to brutally restore 'peace and tranquillity'. Between three hundred and five hundred civilians were killed in Caracas alone and thousands were injured – revealing that such reformist regimes behave little differently from autocratic military dictatorships when confronted by worker militancy and rising levels of class struggle. When 'order and tranquillity' (the regime) is challenged, the repressive option is invoked.

Jamaica

At the time of his first presidential victory in 1972, Michael Manley and the People's National Party (PNP) advocated policies based on support for democratic socialism and radical reforms at home and alignment with the forces of national and social liberation abroad. Over the next four years, Manley instituted a wide-ranging program of social and economic changes which substantially benefited the urban and rural working class, and pursued an independent foreign policy that created numerous conflicts with Washington. At the time of his re-election in 1976, Jamaica confronted a severe foreign exchange and balance of payments crisis due to rising oil import costs, declining bauxite sales, and a fall in the world market price of sugar. In mid 1977, Manley reluctantly negotiated an IMF stabilization loan with catastrophic results for the economy and, ultimately, his own political future. Production levels declined, overall living standards fell, real wages spiralled downward, and almost a third of the work force were unemployed at the end of 1979. Soon after, Manley broke off discussions with the Fund in 1980 but too late to avoid his defeat in the 1980 presidential elections by the rightist Jamaican Labor Party candidate, Edward Seaga. A strong believer in the IMF 'world view', Seaga re-established Jamaica's relations with the Fund, arguing that a new dose of austerity 'medicine', comprehensively applied, was the key to economic recovery. Jamaica became a 'laboratory' for the IMF approach in the 1980s. Unfortunately for Seaga's political fortunes, the experiment was a disaster; the 'patient' barely survived. As a result, the reformist PNP, again under Manley's leadership, was returned to power in a landslide victory in February 1989.

During the election campaign, Manley was a far different candidate from the one who first emerged as a major figure on the Jamaican political scene in the early 1970s. No longer espousing reformist-nationalist sentiments, he preferred to speak of his 'far more pragmatic outlook' on economics and foreign policy. In the first months of his presidency, the emphasis in domestic policy was on the need for labor-capital cooperation in the quest for economic growth and expansion. His attitude toward the private sector was described by one analyst as 'eager to the point of flattery'. Furthermore, Manley embraced the IMF as 'a reality' and drew up his economic program within the framework of a $114-million standby facility signed by Seaga in 1988. The 1989–90 budget announced in May 1989 slashed government price subsidies by more than J$200 million, producing rises in the cost of bread, flour, rice, corn meal and other basic foodstuffs of up to 50 per cent.

Meanwhile, the US imperial state was quick to acknowledge Manley's political transformation. To Washington policymakers, he was 'a

changed man' with whom 'we can work'. As one American official put it: 'He's making all of the right noises – all of them.' This included assurances to Jamaica's foreign creditors that he would 'not in any circumstances walk away from the debt' currently estimated at $4 billion. Insofar as he supports a regional or Third World approach, it is of the most watered-down kind – based on devising a 'non-confrontational' strategy for negotiating with major institutions of global finance capital.

Conclusion

The decay of liberal social democratic experiments in Latin America in the 1980s is rooted in the very nature of the original democratic transition (the alliances forged, the policy commitments made, and so on) that produced inadequate reforms, economic recessions, and declining living standards for the mass of the populations. The political consequences were equally dramatic: regime isolation, the rise of mass social movements demanding structural transformations at the level of the economy and state, and subsequent electoral setbacks reflecting the increasing popularity of the electoralist left. But while this crisis of classes, structures and institutions in Argentina, Brazil, Peru and elsewhere in the region is manifest, the resurgence of the parliamentary left and center-left is a more contradictory phenomenon due to the nature of the new reformist regimes that have emerged. The fundamental problematic centers around the relationship between the electoralists and the mass movement, and the seeming ability of the former to coopt the latter for the purposes of winning office while simultaneously making concessions and commitments to the state and economic power centers at home and creditor banks abroad.

Other continuities with the past, as much as new developments, also define the parameters of regional politics and reformist initiatives in the late 1980s and early 1990s. First is the constraint imposed by the nature, and continuing crisis, of capitalist development: per capita income levels for Latin America as a whole have fallen every year since 1981; worsening external indebtedness has enabled imperial capital to continually expand its presence within national economies; successive privatization waves have substantially eroded public enterprises and the role of the state as a major economic actor; government corruption and speculative investment behavior has reached unprecedented levels in Argentina, Brazil, Mexico and Venezuela, and remains a pervasive problem throughout the hemisphere.

Second is the continued subordination of Latin America to

Washington's directives at a time of declining US global and regional hegemony. This willingness to follow imperial state dictates is reflected above all in the resoluteness with which governments have continued to meet their onerous debt interest payments notwithstanding the devastating social and economic consequences. But this is less a consequence of pressure from the White House or State Department and more the result of a convergence of interest between a narrow stratum of domestic capitalists and the international financial community. The centralization and internationalization of production and financial circuits in the absence of effective global regulation have created a powerful transnational class of Latin American investors who benefit directly from the maintenance of debt payment schedules (and influence government decisionmaking on this issue) and the adherence of regional regimes to externally imposed austerity programs. Over the last five years, debt payments have produced a net outflow of capital from Latin America to the rest of the world of around $150 billion at the same time as the hemisphere's total indebtedness to foreign banks increased by approximately 25 per cent.

Third is the revival of the armed forces as active participants in the political process – especially at the 'invitation' of the liberal social democratic regimes. The latter have responded to the growing support for the parliamentary and guerrilla left, mass mobilization politics, and the rising levels of class struggle – precisely the outcomes the military's original decision to 'return to the barracks' was intended to prevent – by making the kinds of concessions that once again reposition the generals for direct intervention into the political arena. What also enhanced the armed forces' ability to act decisively against civilian rulers is the fact that in all cases their institutional power and prerogatives remained essentially intact during the previous transition process.

Over the past years, liberal and social democratic presidents in Argentina, Brazil, Peru and Venezuela have invited the military to take a more prominent role in enforcing internal stability. Troops are used regularly to break strikes in Brazil; the army has been given broad powers to crush the guerrilla insurgents in Peru; in January 1989, less than two weeks after introducing legislation to restrict the armed forces' responsibilities in ensuring Argentina's territorial integrity, the Alfonsín government established a National Security Council to involve the military in intelligence and security operations against 'subversion'. The newly elected president of Venezuela, Carlos Andrés Pérez, automatically turned to the military to crush riots protesting at the government's austerity economic policies in February 1989; several hundred civilians were left dead and thousands wounded. All these developments are clear evidence that the generals are creeping back

into the political arena – at the behest of the electoralist politicians.

Accompanying these continuities with the past in the late 1980s was the flowering of a new kind of politics, imported from the USA, based on glitz, glamor, and vacuous programs. The 'Reaganization' of hemispheric politics reflected the increasing centrality of the figure of media celebrity as right-wing popular hero, and represented a setback for the left. However, there are several reasons to argue that the new media heroes are a temporary, conjunctural phenomenon. First, the underlying polarization of socioeconomic and political life continues and seems certain to worsen due to the free-market policies espoused by the celebrities turned politicians. Second, the aura or halo effect that influenced the electorates to vote for these individuals will be quickly dissipated once the harsh economic consequences of their policies take hold. Third, unlike the USA, where there are no significant alternative left-wing parties to challenge the politics of personality, in Latin America such parties do exist and can be expected to confront and challenge these media-promoted regimes when they falter. Finally, the rightist celebrities lack any coherent political organizations to realize their programs. They rely on the mass media, on business associations, and on the armed forces, thus raising the spectre of a need to turn to autocratic, quasi-dictatorial forms of rulership to retain political control.

Indeed, these rightist celebrity electoral regimes have already begun to manifest cleavages and crises, most notably in Argentina where the Menem government has presided over the return of four-digit inflation, large-scale capital flight, and the massive currency devaluation. The break-up of the Peronist/big business consensus seems inevitable; the unions and the military seem destined to have another go-round. But while the free market system continues to fail abysmally in country after country, its demise is not inevitable. Rather the disintegrating effects of the market have spawned a whole stratum of speculators, externally funded intellectuals, and drug dealers, each with their entourages, who can be counted upon to keep politics within conventional boundaries. Crime, religious revivalism, internal migration, and subsistence barter networks are other options for the masses punished by the market.

These alternatives to class politics notwithstanding, the growth of mass sociopolitical movements continues unabated. Despite the mass media's central role in shaping the outcome of elections in different national contexts, one should not overestimate its capacity to permanently derail the left as a major and consequential political force. Lula's electoral majority in practically every major city in Brazil (and his 47 per cent presidential vote), the first-time victory of Uruguay's Frente Amplio in Montevideo's mayoralty contest, and the unprecedented left-wing gubernatorial successes in the industrial Venezuelan states of Bolivar

and Anzoategui are strong indications of the future electoral potential of the left. At the same time, the FMLN represents a de facto alternative power in El Salvador; new left-wing parties and nationalist movements are defining political realities in Mexico and Colombia; and the authoritarian-collectivist Sendero Luminoso remains a major, and growing, political force in Peru – perhaps becoming more influential as the polarization between the ultra-oligarchical right and the left grows.

Meanwhile, Washington pursues a two-track approach: preparing for the demise of its longtime electoral clients; and exhibiting its determination to sustain its regional hegemony and economic dogma, which promises to further Latin American civil society. The Bush administration has confirmed its support for the Alwyn–Pinochet cohabitation scheme in Chile while it sends almost 24,000 troops into Panama, formalizes a permanent counter-insurgency military presence (ostensibly to fight the narco-traffickers) in Bolivia and Peru, and maintains the Reagan policy of a permanent US presence (including thousands of combat troops in Honduras). The USA also continued the economic and propaganda campaign against Nicaragua, augmented by massive electoral (financial, organizational) intervention on behalf of the anti-Sandinista forces who won the February 1990 presidential elections.*

The White House has also unilaterally declared extra-territorial rights – the power to send its political police, the CIA and FBI, into any hemispheric country to arrest and/or abduct individuals deemed hostile to American interests. For its part, the US Congress has been a willing collaborator in this new interventionist offensive, approving increased funding for clandestine state-terrorist activities while simultaneously weakening laws prohibiting the use of political assassination as an instrument of state policy. Yet the 1990s are not the same as the 1950s or the 1960s, and while Gorbachev and Eastern European concessions may have given the Bush administration a free hand in concentrating its

*The Bush administration has also exhibited a clear determination to maintain the Reagan policy of outright hostility toward revolutionary Cuba. Despite all manner of Cuban overtures and concessions in recent years – signing a new immigration accord, agreeing to withdraw 50,000 troops from Angola, cracking down on drug trafficking and proposing joint enforcement programs, supporting the Central American peace process, improving relations with the Catholic church, according greater latitude to human rights groups, and so on – the enmity shows no signs of change. Despite Cuba's demonstrable 'turn to the market' since 1986, and its desire for expanded economic relations with the capitalist world, the USA has sought, where possible, to maintain the global economic embargo, pressuring allies such as Japan not to buy Cuban sugar, blocking Cuban nickel and other non-sugar export sales to the market economies. The Reagan/Bush refusal to include Cuba in the new era of detente may be explained partly in terms of the continuing need to placate the Republican Party's right wing. A more likely explanation is that Washington sees in detente and the Soviet

forces in Latin America, the political and social changes taking place in the region combined with Washington's declining capacity to prop up its global position and manage a disintegrating empire may be outside US control.

The electoral transitions in Latin America have not produced stable and consolidated democratic states capable of tackling the region's underlying socioeconomic problems but fragile regimes highly vulnerable to the demands of the most powerful domestic capitalist forces and hostage to the requirements of foreign creditor banks. The failure of electoral reformism in the context of the constraints imposed by the capitalist (military) state, the dominant imperial power, and global capitalist financial institutions has created the basis for a new series of confrontations between the forces of military and political authoritarianism and mass-based social movements seeking socioeconomic as well as political democracy. Increasingly, one of two outcomes appears likely: new military coups or mass upheavals. Above all, Latin America's experience with electoral politics in the 1980s has served to reaffirm the viability of the revolutionary option, which remains the most realistic route to political, social and economic transformations that will benefit the region's urban and rural masses.

Union's shift toward the market under Gorbachev real possibilities for achieving historic strategic objectives in Cuba. In March 1989, Secretary of State James Baker declared that 'Cuban behavior has not changed sufficiently to warrant a change in US attitudes'. In June, the President added that Cuba would have to do 'much more' before his administration would even consider a policy change. This included Soviet-style economic restructuring and political reforms at the top of the list. What this strongly suggests is that Bush perceives this shift in Soviet policy as the key to 'softening up' the Cuban economy, thus making Castro more amenable to the internal economic and political changes Washington desires. Thus, in the hope that changes in Eastern Europe will weaken economic ties between the socialist bloc and Cuba, the USA ignores Cuba's new search for market opportunities, its foreign policy and other concessions, and pursues – at odds with every one of its major Western allies – a confrontational policy. The White House seeks to effect a rupture in Cuba's relations with the Soviet Union and undermine the island's economic and political structures, leading to a reassertion of America's hegemonic status.

PART I

Theoretical Framework

1

Declining Empire, Passing Theories: Notes Toward The Definition of a New Development Paradigm

In his recent book, *Rethinking Development: Modernization, Dependency and Post-Modern Politics*, David Apter issued a call for 'another round of thinking' as a result of the 'often disastrous' experiences resulting from the discrepancies between policies and concrete results.[1] Because writing on development has a tendency to repeat itself (witness the resurrection in the 1980s of modernization theories and concepts by intellectuals in both East and West), this study will briefly survey the evolution of development theory in order to map out what is new and relevant in contemporary writings from what is merely a re-packaging of old ideas with a new jargon, and then proceed to elaborate an alternative conceptual framework – one anchored in those experiences which have become central issues in what Apter terms 'post-modern politics'.

Schematically, we can differentiate four periods of 'development' writing: (a) the pre-modern, pre-World War Two period; (b) the rise, hegemony and demise of modernization theory from around 1950 to the mid 1960s; (c) the ascendancy and subsequent eclipse of dependency theory from the mid 1960s to the mid 1970s; and (d) post-dependency theorizing and the proliferation of radical and liberal (neo-modernizer) variants from the mid 1970s to the present. Each of these approaches reflected the influence of powerful societal forces which shaped their conceptual framework and political vision. Ultimately, the deepening

conflict between the intellectual claims and experience led to an intellectual crisis characterized by the general abandonment of the dominant paradigm and the search for an alternative approach.

The precursors of contemporary development studies were mostly anthropologists whose work was largely dominated by static conceptions of the uniqueness and distinctness of non-Western societies.[2] This self-contained, self-reproducing approach equally served their colonial paymasters and/or their own professional interests: in the former case, the lack of material progress could be ascribed to the local population's culture and, in the latter case, to the desire to protect the indigenous peoples from the ravages of Western civilization. For these pre-modern social scientists the claim was that these societies served as control units to study the evolution of the pre-modern past. This approach went into crisis with the rise of the anti-colonial struggles, the emergence of national movements, and the adaptation of modern revolutionary ideologies.

The modernization approach was simultaneously a critique, an analytical framework and a manifesto. It challenged the major assumptions and claims of its predecessors; it envisioned a Third World which was dynamic, adaptive and malleable, one capable of achieving the same growth patterns as the West. On the basis of these assumptions, modernization theorists began an endless quest to search for, identify or invent the social, political, economic, psychological, and cultural requisites for (capitalist) growth, individual mobility and political democracy. They unabashedly proclaimed that the West was the mirror of the East.[3]

The spread and eventual absolute reign of the modernization framework and jargon throughout Western academic and public policy circles had less to do with its intellectual content than with the convergence between its political-economic prescriptions and US state and corporate interests. Its major intellectual contribution was to recognize the dynamic forces present in the Third World; to identify political forces aiming to transform existing social productive relations and to construct nation-states. Beyond those general contributions, however, the modernization conceptual framework was plagued by its close association with the major corporate-funded foundations and thus never was able to develop any meaningful historical account of the origins of underdevelopment. Instead of acknowledging the obvious ongoing role of imperial power in shaping the social structure, the international division of labor and cultural practices, modernization theory served up a set of ahistorical categories of societal dualism (modern/traditional) and diffusion (economic, political, cultural) as the vehicles for explaining underdevelopment and prescribing solutions. Where their predecessors saw pluses they perceived minuses: the main obstacles to 'modernization' (capitalism)

were the pre-capitalist traditional institutions (behavior norms, and so on). The problems were internal, the prescriptions were international: how to attach the internal modernizers to their external counterparts to facilitate the diffusion of the values and artifacts of modernity. To provide an intellectual gloss, a historical dimension was later added in which Western countries were described as having passed through several functionally equivalent stages.

Along the way, the original modernization package was disaggregated. One variant jettisoned the democratic component and emphasized the growth dimensions, describing blooming authoritarianism as a Third World adaptation. Another downgraded equity in favor of industrialization, shifting the historical time frame for the realization of 'Western style modernization' into the distant future.

The problem with modernization theorists was that they asked the wrong questions, looked at the wrong units and failed to understand their own past, present and future. In a word, the starting point for an analysis of the development problematic was with their own paymasters – the complex network of research centers, state and corporate interests that funded them – who were unwilling to fund critical studies of the long-term, large-scale power and profit structure invading the post-colonial societies. There was, of course, a colonial past replete with dualism and diffusion – but modernization theory was unable to link the past with the present: the continuities of Western power and profits and their legacy were redefined in terms of the vacuous language of structural functionalist jargon and thereby neutralized. The ongoing Western imperial wars in Kenya, Algeria, Indo-China, and Korea were excluded from the discussion. Amnesia about the past and heady extrapolations from the present served to innoculate modernization theory from any relevance to social reality.[4]

The failure to address the problems of the cumulative advantages and power inequalities in the global system affected the micro-analysis that purportedly was the strong suit of modernization theory. This paradigm's lack of substantive or cognitive value was reinforced by its refusal to address the class roles, socialization and family structures, and political agencies that challenged and redefined the development problematic. More than anything else, its influence and authority coincided with US imperialist interventions in the Third World during the 1950s and 1960s, which were accompanied by the proliferation of academic 'nation-building centers'. Not surprisingly, the decline of the modernization school paralleled the devastating American military-political defeat in Vietnam.

Dependency theory was nurtured by the Eisenhower–Kennedy–Johnson military interventionism in Asia, Africa and Latin America

and by the general crisis of import substitution growth strategy which had previously served as a bridge between Third World ruling-class developmental aspirations and the multinational corporations. At the same time, it accepted and operated on the terrain of 'developmentalism' (with its focus on the growth of productive forces) promoted by modernization theory, which effectively shifted radical discourse away from the class-exploitation framework of classical Marxism. Nonetheless, dependency theory differed from its predecessor not only in its origin but also in its substance: it was a Third World paradigm for studying underdevelopment. Its success in challenging modernization theory coincided with the burgeoning Western academic criticism of America's relations with the Third World and specific dissatisfaction with the 'harmony of interests' tenets of the modernization doctrine. Dependency theory substituted for the abstract stages of growth approach an historical framework within which to discuss underdevelopment. It detailed the process whereby colonial or imperial conquest and the imposition of high productivity enclaves and raw material (agro-mining) specializations in the Third World led to the appropriation of the surplus through unequal exchanges and precluded the extended reproduction of capital and accompanying multiplier effects.[5]

For dependency theory, the major theoretical issue was the appropriateness of the world market as the central unit of analysis for understanding the stratification of the world economy. Modernization theorists, confined to national units, failed to grasp the essential structural relations (imperial/peripheral), the basic processes (surplus extraction) or the historical outcome (the development of one zone of the world economy and the underdevelopment of the rest).

The dependency approach was a critique, an alternative approach and a set of policy prescriptions. The latter revolved around a set of proposals rupturing the dependent links preventing the development of the productive forces and the pursuit of policies of self-reliance. These conceptions were in part influenced by Maoist and Fidelista experiences during the late 1960s, as well as the war communism in Vietnam.

Four factors outside of academia converged to fuel the challenge to the dominance of the dependency approach in the USA: (1) the end of the Vietnam war, the decline of public opposition to imperialism and a turning inward toward national, economic and private professional concerns among the educated classes; (2) the emergence of several high growth Third World countries deeply immersed in the world marketplace; (3) the articulation and propagation of anti-Third World rhetoric throughout the major Western intellectual centers (New York, London, Paris) which re-focused attention on the authoritarianism, corruption and venality of these regions as the cause of their own

underdevelopment; (4) the emergence of OPEC as a power bloc in the world economy, eroding the image of the Third World as victim, and replacing it with the icon of the petro-rentier states as power brokers and regional influentials.

Dependency theory, having lost several of its 'external sources' of support, was thus vulnerable to a new intellectual assault. The critiques, however, did not emerge from a single unified source. In the post-dependency period there are no new dominant paradigms, and those like the neo-modernization approaches that have gained some measure of influence are on shaky intellectual and political terrain.

For classification purposes, we can divide the post-dependency approaches into 'radicals' and 'liberals'. This division is somewhat arbitrary as there are some radicals who share with the liberals the view of the primacy of 'internal' factors and some liberals who have discovered international political economy (the inter-dependentistas) and speak the language of integrated global systems in a manner not too different from the 'radical' world system/world market advocates. Essentially, the differences between liberals and radicals revolves around a particular heuristic distinction.

Post-dependence: 'The Liberals'

The 'liberals' are simultaneously involved in two intellectual and political agendas: a kind of neo-modernizing revivalism in which the market, the private sector and pluralist ideology become the centerpiece of social analysis is accompanied by an assault on the state, bureaucracy and totalitarian collectivism equated with socialism, stagnation and revolution. In a particularly bizarre twist, there is also an attempt by some of these theorists to superimpose a bastardized Gramscian gloss onto this intellectual enterprise: the market is modified by 'socialism', the private sector becomes 'civil society', 'democratic discourses' replace pluralist ideology, 'hegemony' replaces the diffusionism of the past, and amorphous 'popular classes' replace modernizing sectors. The language changes but the substance remains the same. Psychologically, however, these linguistic gyrations are important in easing the transition of the former radicals into the liberal modernizers' camp. They can preach the new neo-modernizing doctrines with the same fervor as their past radical beliefs, their conscience assauged by the notion that no essential changes or moral compromises have transpired.

Several empirical developments during the 1970s formed the basis for the initial neo-modernizing revival. Most frequently cited were the examples of high-growth Third World countries such as South Korea,

Taiwan, Brazil, Mexico, and the city states of Hong Kong and Singapore. The transfer of substantial amounts of economic surplus into the Third World in the form of loans, investments and oil payments seemed to confirm the diffusion thesis. Capitalist industrial growth in a broad range of countries involving high and low labor-intensity industrialization were described as replacing dependence with interdependence. For the neo-modernizers, political independence, free markets, multinational corporate expansion and development elites all converged to create conditions for unprecedented growth in the Third World. Dependency theory had underestimated the growth capacities of peripheral capitalism: it had failed to recognize that between the entrance of foreign capital and the outflow, new productive forces were created.[6]

The triumphalist euphoria that accompanied the neo-modernizing revivalism didn't last a decade. With the debt crash of the early 1980s and the long-term recession accompanying it, the claims turned toward nostalgia for the past or hopes for the future.

We can distinguish at least three distinct strands among the neo-modernizers: (1) the radicals of the 1960s who have exited from Marxism or dependency analysis via the route of developmentalism, redemocratization, rational choice theory or some variant of discourse determinism – they have sprouted in diverse regions from New York to Buenos Aires; (2) the left-over modernizers from the 1950s who have learned the lesson of overly rigged postures and have become more eclectic, taking account of external issues (hegemony, debt, inter-dependence) and proceeded to seek adherents and testimonials from the former radicals – Western intellectuals and Eastern bureaucrats; and (3) neo-liberal promoters of market socialism within the Eastern bureaucracies who have grasped at modernization ideology as an excellent weapon to increase consumption and opportunities for the managerial elites while neutralizing mass egalitarian aspirations.

All the neo-modernizers have fetishized technology, technocrats and the growth of productive forces. Productivity and high tech are 'in', welfare and redistributive politics are 'out'. For politicians from Reagan and Thatcher to Mitterrand and Gonzalez, from Alfonsín and Pinochet to Deng and Kader, the rhetoric of modernization oils the wheels of economic policy. The neo-modernization paradigm has re-surfaced with and without their Parsonian pattern variables – though it should be pointed out that the integrative and adaptive functions of an equilibrating system look mightily attractive to the latter-day modernization zealots in the market socialist regions, searching for political formulas to stabilize their rule.

Apart from equating modernization with technology and technocratic hegemony, the neo-modernizers have all been converted to market

metaphysics: export strategies, freedom of capital flows and a minimal public-sector 'coordination' enhances individual choices, and maximizes investment growth and political participation. In the newly recognized 'external world', modernization theory recognizes deep-seated problems that can, should or will be negotiated, thus leading to greater cooperation.

Most neo-modernizers have operated on two levels: on a theoretical plane where they propound their paradigm; and in the real world where they face a deepening economic crisis, with new actors and action not accounted for by their formulations. For some, the answer is to take a brisk hike with a walking stick, à la Albert Hirschman, jauntily pointing out a successful grassroots self-help program there, a successful heterodox economic stabilization here, and a jolly good redemocratization process everywhere.[7]

The style of the neo-modernizer as a jaunty stroller through a region has the advantage of providing upbeat impressions, but is less than useless in providing insight into even middle range developmental trends. While the stroller passes, stabilization schemes collapse into triple or even quadruple digit inflation, a new round of store-sacking and street fighting by the unemployed threatens to destabilize electoral regimes, and the specter of armed forces' intervention into the political arena is revived. The modernizing leftovers, having regained some of their lost influence, are not about to surrender intellectual turf to their radical critics. In their view, there is always modernization in every dark cloud. They make virtues of weaknesses, turn conformity into innovation, find a problem solved and elevate it to a theory. In a word, the variant of the modernization approach is not a theory of social science but a literary exercise which is eminently rentable and accommodating.

Asian capitalism does speak to a powerful current in modernization theory: it expands, it innovates and it conquers markets. But it does not fit any of the postulates of modernization theory. It is anti-pluralist and powerfully homogenizing (Japan, Taiwan, Korea, People's Republic of China). It is strongly statist, and its civic society is dominated by the rules of state-directed accumulation. The market allocates resources, but it does so on terms set by huge conglomerates. The state is powerful, but hardly autonomous, fused as it is with the peak industrial and financial organizations domestically and internationally. The categories, prescriptions and analysis in neo-modernization theory are irrelevant to the most striking examples of capitalist transformation.

Finally, it seems that the neo-modernizers' epitaph for dependency theory seems premature. The profound global economic crisis of the 1980s, which has undermined the dynamic growth of the countries selected and cited by the neo-modernizers as exemplars of their model,

has called into question the analysis and methods that sustained their central arguments. However, it is not merely the deepening and continuing stagnation and even negative growth rates that are central issues of contention. Rather, the crisis has exposed these countries' vulnerability to 'external factors' – the deep structural dependence on outside financing, markets, technology. This dependence is illustrated by the frequent and frantic negotiations to refinance spiralling debts in order to avoid a catastrophic collapse of the financial and industrial structure of these 'dynamic countries'. If there has been any question regarding the essential quality of this dependence, the regimes themselves (confirmed as well by the directors of international and private banks) have pointed to the centrality of external financial assistance (loans, renegotiations, rollover of debts, and so on) to avoid massive bankruptcy and the loss of international creditworthiness.[8] The neo-modernizers' arguments about national growth ('decline of imperialism, rise of capitalism'), state autonomy, and the positive results of capitalist market integration were grossly exaggerated at best; at worst (and more to the point), they failed to recognize the contradictory nature of that growth and the deep structural constraints that were inherent in the relationships. The spectacle of the world's bankers dictating economic policy to the most 'advanced' Third World countries such as Mexico, Brazil and Argentina – specifying trade, investment, budgetary, wage and foreign exchange policies – is reminiscent of the 'custodial' control exercised over the Central American republics in an earlier era by United Fruit and other American corporations.

In the midst of the worldwide recession, these crisis-ridden 'modernizing regimes' operate within the narrow policy limits established by the so-called international banks and the private multinational banks – constraints that are essential conditions for receiving financial assistance. These externally imposed conditions and the policies implemented by the regimes reveal the deep structural links between the capitalist class and the state: the latter's dependence on international finance regarding debt payments; and its further dependence on, and ties to, local capital in seeking debt relief.

However, it would be a mistake to return to the earlier dependency perspectives to understand the dynamic political and social developments that unfold from the present crisis. First, the crisis does not emerge from a static set of immutable dependency relations – the forms and linkages that define the current relations are very different from those set out in the 1950s and 1960s. Second, the economic expansion that did take place (which the earlier dependency approach failed to acknowledge) established a whole new set of class and political actors that have emerged to contest and urge alternatives to the current policy resolutions posed

by the regimes' leaders and their counterparts among the international bankers. Third, the adverse consequences that result from the overt control manifested by international bankers will directly impinge on the wage-salaried classes and strata. The central issue behind the 'debt' is political: the capacity of the (local) state to impose the new economic policies and formulas on the labor force. The dependency approach with its focus on the mechanisms of surplus extraction between regions is inadequate to examine the crucial political developments that are taking place. Between the point at which foreign banks dictate policy and the point at which the financial resources are siphoned out of the country, major political confrontations are in the making. The critical relations between the local state and the internal classes, between state coercion and popular mobilization (in responding to the initial policy imperatives) can seriously affect the direction and consequences of the overall debt payment relation.

The central problem with both the neo-modernizers' and the dependency approaches is the 'empiricist methodological style' that extrapolates growth or capital flow data from their structural-historical context. The class relations that control the possibilities for market expansion and the realization of profit are ignored by the neo-modernizers. On the other hand, the dependency analysts extrapolate data from the downswings of the economy and then hook it up to a pseudo-structural analysis, which identifies foreign control with economic stagnation – a dubious proposition which conveniently and absentmindedly omits any consideration of the preceding period of expansionary upswing. Theoretical closure is arbitrarily assigned to the low point in the economic downturn, with the explicit assumption that this is the chronic condition henceforward.

Both apparent adversaries are theoreticians of the conjuncture – each chooses a time frame and data that fits with the presuppositions of their perspective. Neither has looked at the process of capital accumulation and realization within the *class-anchored conditions* that have stimulated and constrained growth, that govern the conditions for expansion and contraction of the world economy. That is, the conditions for capital accumulation and realization create wage-labor relations which constantly need to be reproduced, first on a national and then international level. The class relations that create surplus value become the barriers to the realization of profit and subsequently to the accumulation of capital: the crisis in exchange relations between regions finds its roots in the crisis of production – in other words, in the relations between classes.

At best, these theoreticians of the conjuncture have identified 'positive' or 'negative' qualities of the class relations and assigned them a

larger political-economic meaning. At worst, they have ignored class relations and simply focused on the role that markets and capital play, assigning each a positive or negative attribute according to the individual liberal's political preference.

Post-dependence: 'The Radicals'

In the post-dependency period at least four major radical approaches to development have emerged, none of which has achieved a dominant position: world system theory; the mode of production school; neo-dependency theory; and class analysis.

The world system approach borrowed elements from previous macro and micro theories: from Polanyi it took the notion of the centrality of the world market in defining social systems;[9] from Merton it borrowed the language of stratification, systems, functions, and mobility;[10] from dependency writers it borrowed the notion of unequal exchange.[11] World system theory sought to describe the development of capitalism in terms of a stratified, functionally inter-related global market containing three levels (a core, semi-periphery and periphery), and to trace historically the mobility of nations within what is dubbed a single capitalist world economy. Like the dependency theorists, they identified market linkages and the level of productive forces as the major forces of history and the indicators of political identity in the global system. World system theory early on seemed to be influenced by the Christian trinitarian monism: there was one market, one economy, one system all subsumed under the rubric of capitalism.[12]

World system theory attracted a small following, but never achieved the influence of its predecessors. One reason was that it never effectively answered several serious theoretical and conceptual criticisms. In the world system the whole is the sum of the parts and the parts representative of the whole. The actors are therefore abstract and deductive: classes are objects, not subjects, of 'the system'. Moreover, the linear reasoning from world market to national classes precludes dialectical reasoning in which there are classes acting for themselves, for their liberation, for socialism. The most that can be achieved by social revolutions is mobility within the world capitalist system.

Secondly, world system theorists operate with a Weberian conception of power which is deeply structuralized. Power resides in the upper echelons of the hierarchy (the core) rather than being seen as a class relationship. Hence class struggle as a source of change is minimized and elite decision-making dominates political practice. The world system promotes ideal-type representations of Marxist concepts which are

confused with concrete historical patterns and processes. Moreover, the empirical generalizations and abstract postulates and axioms go no further than verifying their own self-conceived laws.

In summary, the 'globalist' perspective of world system theory has become an 'iron cage'. The market is conceived as a static equilibrium model in which the distribution of social products after exchange is the same as before, with no space for change in the relations between actors. The 'world system' as such does not put into relief concrete and historically specific socioeconomic relations and interactions – the reality of inequalities is framed ahistorically. Finally, the world economy is not homogeneous but a reality of uneven economic development, tensions and forces between competing social systems anchored in different social relations of production. In a word, global changes are manifested by way of national class agencies and state structures. On the policy levels, the proliferation of new centers of economic power and networks 'defy' simplistic trichotomous schemas. The decline of US economic power, and Washington's increasing reliance on military intervention, provide opportunities both for escaping the globalist dictates of 'core' countries and for avoiding the dangers of military intrusions, particularly imperial funding of Third World surrogates.

The 'mode of production' school emerged as a critique of what was labelled the 'circulationism' of the dependency and world system schools – their emphasis on the primacy of market over productive relations. The mode of productionists, starting from the notion that development theory should focus on productive and social relations within national units, argued that underdevelopment was the product of the lack of sufficient capitalist development and/or the continuance of pre-capitalist force. They further argued that the establishment of a capitalist class and national state led to 'associated dependent development' or the growth of capitalism.[13]

While the mode of productionists provided a corrective to dependency theorists by focusing on internal classes and states, they completely understated the major effects of commodity cycles, international debt payments, and imperial intervention as operative forces. The abstract notion of 'the capitalist mode of production' conflated the operation of capital in the Third World with that in the advanced capitalist countries. Equally damaging to mode of productionist theorizing, they failed to come to grips with the vastly different social classes and state structures that emerged as a consequence of imperial relations. On the imperial side, it didn't anticipate or provide a framework for the worldwide economic and political crisis that struck many advanced Third World countries in the eighties. If the agencies of change and conflict were located in the productive relations within national units, many of the

problems and issues they confronted and the resources to tackle them were found outside of it – in various international blocs, and regional and world markets.

Out of the debt/economic crises of the 1980s, neo-dependency *analysis* has re-emerged, mostly in the form of specific critiques of debtor/creditor relations, Western protectionist policies and neo-mercantile economic strategies. The approach is heavily 'empiricist', focusing on the dictates of the International Monetary Fund, American Treasury Department officials, and private foreign banks directed toward dismantling or repossessing the national productive structures. In contrast to the earlier dependency theorists, the neo-dependency writers are less concerned with delinking or self-reliance strategies and more interested in consolidating 'democracy'. The change reflects the previous decades' devastating destruction of a whole generation of Third World radical activists – setting the groundwork for the re-emergence of liberal democracy. The neo-dependency writers are liberal in politics and favor redefining market ties between the North and South, increasing South-South relations and promoting regional ties.

The neo-dependency writers find fault with the consequences and policies of interstate power relations but end up accepting the underlying structures. Their approach is less a theory than a series of ad hoc criticisms and prescriptions. There are no long-term strategies or alternatives to cope with the refusal of the dominant Northern countries, particularly the USA, to concede even the most elementary Third World demands. Nor have the policy prescriptions been successful in reviving stagnating Third World economies. Meanwhile, in the political arena, the civilian electoral regimes have displayed a striking disposition to accommodate the authoritarian military institutions (amnestying human rights violators, ceding control over foreign policy and internal security, and so on) in the hope of finishing out their terms of office. In the final analysis, the neo-dependency writers, tied to non-viable liberal-electoral politics, lacking a coherent and comprehensive theory of the structure of international political economy, and immersed in ephemeral stabilization policies, have not provided any new intellectual breakthrough. Their melange of accommodating political formulas, inconsequential economic criticism, and ad hoc policymaking, however, has proved attractive to upwardly mobile former radical intellectuals, especially in the USA, who confuse professional aspirations with political realism.

There are numerous class analysis approaches, some of which are not immune from the criticism outlined above. There is, for example, the crude empiricist approach which confuses ideal-type representations of Marxist concepts with concrete historical structures and processes. Much better equipped for confronting the issues of the modern world is the

'class analysis in world-historic perspective' approach. The key units of analysis are the state (including the imperial state) and class relations – particularly the processes of class formation and its impact on capital accumulation and regional and world markets. Class analysis shifts the debate away from the development/underdevelopment problematic toward exploitation and accumulation. It is not only the world market that socializes actors, thereby limiting outcomes, but also the classes themselves. Their institutions, struggles and collective consciousness are inserted into the accumulation process and shape the conditions under which markets operate. It is this movement upward – from the basic class unit in the national social formation mediated by the state and acting upon the world market and, in turn, acted upon by the market mediated by the state – that shapes the political choices in the modern world.

In the dynamic centers of world capitalism, North and South, the development metaphysic – the growth of productive forces – is a non-starter. In Wall Street, the City of London, and even Tokyo, the focus is on financial transactions or fictitious capital – the fastest growing, most expansive sector which monopolizes the information industries and attracts the brightest university graduates from the most prestigious universities. Wealth and domination, not development, is the driving force of the West and the predominant source of instability. Meanwhile, in the most dynamic Third World countries, the development problematic is no longer the unchallenged ethos underlying social action. From the Iranian Revolution of January 1979 to the mass popular upheavals in South Korea in 1987, the central issues for Third World populations have become autonomy, freedom and self-government, on the one hand, and exploitation and authoritarian social relations of production (not the development of productive forces) on the other. In this context the politics of the People's Republic of China stands as an anomaly; its developmental rhetoric is peculiarly out of step with the ideas and movements around it.[14] Perhaps that is why it has attracted so much attention from Western neo-modernizing theorists: it's the only show in town.

There are spokespersons and advocates of re-industrialization strategies in the West, and they have correctly pointed to the insurmountable barriers to long-term growth under the aegis of fictitious capital.[15] But what is striking is how uninfluential the re-industrializers are – how little resonance they have, not only within the general public, but even among the very bourgeois classes that they hope to enlist for their industrial renewal schemes. Equally dated are those writers who proclaimed the imminent rise of a new technology, anchored in the new information industries and sharing power with similarly

inclined political managers.[16] Major technical innovations have, in many cases, been subordinated to the military and the paper economy, facilitating international money markets, split-second currency sell-offs, merger-modeling, and triggering of large-scale paper transfers. The technocrats, as the handmaidens of the speculators, are not exactly the vanguard of the post-industrial service economy envisioned by the neo-modernizers. While the class analysis in world-historic perspective offers the most fruitful line of inquiry, it needs to redefine the vectors of social action, and reconceptualize the universe of social action and operative class actors. To return to the labor/capital relation is insufficient, totally inadequate. To write of class analysis today is to speak in algebraic terms – the specific classes and conflicts need to be fleshed out.

Beyond Developmentalism

In *Rethinking Development*, David Apter correctly identified a predisposition to violence as a central condition of the new modernization.[17] What is central and specific to any explanation of this condition is the precipitous decline of the USA as an imperial power and the domestic and global ramifications of this development. While former imperial powers such as Britain experienced a prolonged period of decline and were able to adjust accordingly, the US slide has been much more abrupt and dramatic: from being the world's paramount economic power to becoming the world's biggest debtor and borrower within the space of a mere four decades. Declining empire is the central over-arching reality that shapes political and social action in the post-modern world.

Violence is, as Apter has noted, the central fact of post-modern life; and its origins are structural. The analytically significant dimensions of violence are located in the operation of the state, more precisely in state networks and the processes which they unleash. Our framework for illuminating the centrality of violence to understanding the problematic of contemporary politics operates on four levels of social action – from the global to the personal – each linked to and interacting with the other:

1. the ascendancy of new types of political and economic actors in the USA – the rise of lumpen intellectuals in the political sphere and speculators in the economic sphere;
2. the appearance and routinization of state terrorism as public policy throughout the Third World;

3. the growth of social movements as cause and consequence of externally anchored accumulation models backed by state terrorism;
4. deracination and terrorism as mutually interacting political phenomena.

These levels of social action can be schematized in the following way:

Logic of Social Action

Principal Actor	*Level of Analysis*	*Central Issue*
lumpen intellectuals and speculators	global	decline of hegemony
technocrats and military	state and interstate	state terror
rank-and-file militants	social movement	democratic participation
terrorists	personal politics	deracination and terror

The decline of US hegemony

Two sets of variables are useful in understanding the post-modern phenomenon of declining hegemony: political leadership and structural economic tendencies. The major shift in US economic and political structures has been from industrial capital and statespersons to speculative capital and lumpen policymakers. This shift is both consequence and cause of the decline of American hegemony and is reflected in a transition from policy norms guided by rational-legal calculation to norms of political and economic behavior based on the routinization of illegality.

Declining US hegemony has been evident for over a decade – notwithstanding a major refashioning of the political and military foundations for projecting power abroad. The unresolved problem has been the disjuncture between the elaboration of new military policies and instruments and their inability to contest the forces working to undermine hegemony. The competitive superiority of the productive forces of capitalist allies, as Washington has discovered much to its dismay, cannot be conjured away by new nuclear weapons systems; nor

are revolutionary regimes easily toppled by terrorist surrogates.

The issue of declining hegemony is intimately related to the internal hollowing-out of American capitalism: the replacement of industrial capital by fictitious capital, the ascent of the stock markets over the stockyard. As the effects of this process spread worldwide, command of foreign policy begins to pass from the overseers of corporate capital to a new breed of officials who have not passed the muster of fashioning alliances and policies to facilitate growth of the American economy. As productive capital declines abroad, the reason for empire – imperial dominance – changes. The former instruments of capital – the ideological-military-clandestine state apparatuses – increase their institutional significance at a time of eroding hegemony and the rising application of state terror. The result has been the creation of a new historical conjuncture and the emergence of new political types: the military adventurer as presidential advisor (Ollie North); the ideologue and political gangster as the most influential policymaker on Latin American affairs (Elliot Abrams); and other lumpen intellectuals inside or linked to the state (Jeane Kirkpatrick, Fred Ikle, Richard Perle, Patrick Buchanan, Vernon Walters, and so on) whose style of operation is essentially one of throwing together jerry-built arguments to justify ideological dogma, substituting vitriol for reason, and projecting demonological propaganda to justify illegal terrorist and militarist politics.

The ascent of speculator capital and the decline of productive capital in the economy is based on the same 'adventurous', illegal, clandestine, insider strategy and activities so characteristic of the lumpen intellectuals who occupy the nether world between the White House and the Central American jungle airstrips of the narco-contras. The marriage of speculators and lumpen intellectuals is not coincidental – there are not a few links that bind the two in terms of social background and ambitions, political amoralism and fanaticism. The neo-conservative ideology provides a thin intellectual gloss for the lust for power and wealth so common among the upwardly mobile marginals. And in the minds of these marginals all means are acceptable to reach the top. Moreover, *being at the top* is its own justification. Ideas and values are counters, to justify staying there. When the underworld becomes respectable, the respectable join the underworld. The lumpen intellectuals turned policy-makers have compiled a long list of broken conventions and international norms *which they flaunt*. These are their credentials: hi-jacked planes over the Mediterranean; civilian bombings in Libya; sustained terrorist attacks on Nicaragua; promotion of the South African surrogate UNITA forces in Angola; guns and financial aid to Pol Pot in Kampuchea; arms to Iranian fundamentalists; massive

military assistance to the terrorist state apparatus in El Salvador; political and economic support for the Israeli devastation of Lebanon.

The decline of the USA as a global industrial power is influenced by the dramatic shift toward speculative activity. Billions of dollars exchange hands in the stock market while factories are closing down everywhere; trade deficits soar to record heights while the USA becomes the world's greatest debtor. Increasingly, America's links to the outside world are through the exchange of paper: overseas financiers and local brokers and speculators buying and selling the notes of credit.

US foreign policy becomes increasingly militarized as its content is emptied of the economic interest it was designed to defend. In the past, overseas economic interests provided a logic and rationale for US military policy – they defined the parameters for negotiation and intervention. But in the absence of a set of clearly defined economic imperatives and interests, today's imperial state leaders allow ideological dogma, linked to underworld terror, to preempt policy decisions, and justify it post facto with vacuous abstraction.

Deteriorating hegemony and the drive to maintain a dominant world position led US policy-makers to opt for the militarization of the country's foreign policy. Beginning in the late 1970s and escalating into the 1980s, hegemonic politics were replaced by the politics of global military domination, in which the use of military power would compensate for the loss of economic, diplomatic and political influence.

The military strategy in the Third World was not directed merely at defending existing client regimes through the supply of repressive equipment but to overthrowing existing regimes through violent action – directly with US forces (Grenada, Libya, Panama) or through wars of attrition using surrogates (Nicaragua, Mozambique, Angola). The use of terror in these regional conflicts was not contested by corporate capital because it no longer had (or never had) a major economic interest in these areas. The voluntarism of the right was given license to engage in a kind of 'free-fire zone'. The establishment formulated no constraints on neo-conservative state violence. Respectable business people acquiesced in the policies of terror. Permanent civil servants and foreign service officers cooperated and cohabited with the political underworld (mercenaries, adventurers, death-squad hitmen, narco-traffickers), recruited and financed by the neo-conservative ideologues. Rather than reversing the downward trend in the US hegemonic position, military strategy and practice exacerbated it. But in the neo-conservative world of ideological warfare, debts and deficits paled into insignificance before the opportunities to open a new terrorist front in Costa Rica, prolong the Afghan war, and consolidate UNITA's military bases in Angola. For the lumpen politicians this *was* the 'real world'. The

effectiveness of terror warfare was the only criterion to judge foreign policy successes. The 'real' issues were locating funding and supplies; deepening the flow of weapons to the 'resistance', the 'freedom fighters', the riff-raff of the Third World.

Ultimately this alliance between the respectable corporate leaders, the lumpen intellectuals, the military adventurers and the upwardly mobile ideologues is an *opportunist* one. The adventurers and ideologues have a formidable array of instruments in the state apparatus and can reach out to a vocal and well-financed constituency; but there are no strategic alliances or organized ties to big business or even to the permanent government machinery. Their work with the underworld and their use of the terror machinery subjects them to the danger of public exposure and if it comes about that their respectable allies need to evoke *credible denial* – that the terror operation had run amok, without official approval – then the terrorist operators are expendable.[18]

The routinization of state terror

The second dimension of post-modern violence is the massive growth and routinization of state terror. Insofar as 'terror' has come into social scientific writings as a substantive problematic, it has been wrongly associated with small fringe groups whose actions directly affect a handful of individuals. The more significant aspect of terrorism is the behavior of Third World states who in a single day can assassinate more people than all the terrorist groups combined can execute in a year. The problematic of terrorism is properly discussed in the framework of state politics. The politics of state terror form a middle-level linkage between the politics of global hegemony discussed above and the emergence of social movements and the politics of personal experience.

The meaning of state terrorist action cannot be understood in terms of a specific event; nor can it be understood as an autonomous political act. Rather the meaning of state terror is best understood as part of a broad historical context in which terrorism is purposefully directed toward the creation of a political economic structure (accumulation model) and a specific set of inter-state relations (subordination to US hegemony). The framework for analyzing state terrorism must be sufficiently comprehensive to capture the dynamic inter-relationships between state activity, the accumulation process and the projection of hegemonic power. More specifically, state terror can be periodized to include:

1. the initial period of extermination and destruction of social movements, popular institutions and regimes;

2. the consolidation and institutionalization of the state terror network and the recomposition of the socioeconomic forces in command of the accumulation process;

3. the forcible implantation of the new accumulation process which includes use of terror to contain any threats to 'investor confidence'; the promotion and channeling of investment loans by major corporate collaborators which coincides with the widespread use of torture, disappearances and death squads to dissuade wage laborers from protesting growing inequalities; and the violent measures to contain the contradictions engendered at the social and political level;

4. economic crises provoking divergent responses from the local and international terror networks: the decomposition of the state terrorist regime and the revival of social movements can lead to an *escalation* of terrorism or a tactical retreat. In the latter case electoral systems are juxtaposed over the terror apparatus – which retreats and reconsolidates for future reactivation.

The growth and proliferation of state terror networks in the Third World are closely related, and in most instances subordinated to, an ongoing global terror network which has served as an important US foreign policy instrument. Indeed, Washington has become the center for the organization of a variety of institutions, agencies and training programs providing expertise, financing and technology to service client state terrorist institutions. This has especially been the case in Latin America, where the global terror network has sustained client regimes by improving the capacity of their repressive apparatus to destroy political and social movements (for example, Brazil after the 1964 military coup, and El Salvador after the October 1979 military-civilian coup). The network has also provided assistance and direct support to terrorist sectors of the state structure to destabilize popularly based regimes (for example, Chile during the Allende period).

Imperial state terrorism has elaborated several key organizational and ideological concepts that now routinely accompany state terrorist activities in the Third World:

1. organizing cooperative activities between the repressive apparatuses of Third World state terrorist regimes to facilitate joint ventures in establishing regional hegemony (El Salvador, Honduras, Guatemala);

2. incorporating 'third parties' into political contexts where imperial state domestic opinion prevents overt collaboration with Third

World local state terrorists (the USA promoted Israeli-Argentinian military assistance to Central American client regimes in the 1970s and early 1980s);

3. developing and promoting 'death squads' within the Third World security forces as means of obscuring the responsibility of the terrorist state from the acts which it commits;

4. developing and promoting the 'disappearance' of political opponents of Third World state terrorist regimes in order to neutralize international pressure by lowering the number of political prisoners.

The global state terror network emerged along with the growth of worldwide capital expansion. More specifically, US policymakers and their academic advisors recognized that the expansion of international capital had a disintegrative effect on the cohesive bonds sustaining many Third World countries. The local dominant classes – oriented toward establishing links from above and the outside – were unable to create and sustain new vertical linkages in a period of rising class conflict. Determined to destroy the new social movements and create the conditions for large-scale, long-term capital flows into these Third World countries, the imperial or 'core' states and their local ruling-class allies resorted to systematic and sustained repressive activity. The traditional military-repressive state machinery was inefficient and geared to corruption at the expense of effective counter-insurgency. The modern terror network, involving systematic information collection, total warfare tactics affecting civilians and combatants, and high technology firepower, was among the key changes introduced by the special training missions of the imperial state. The routinization and bureaucratization of state terror accompanied and facilitated the inflows and outflows of foreign capital. Its effective use against social movements became one of the major factors creating overseas investor confidence in previously conflictual Third World regions. Insofar as capital exploitation has become international, national systems of repression have declined, and the international state terror system has gained ascendancy.

Increasingly the traditional restraints embodied in international law, in the Geneva Agreements, in the World Court and in the United Nations are explicitly rejected by the imperial center in favor of unilateral terrorist actions: international air piracy and the mining of international shipping routes and national harbors accompany public funding of mercenary terrorist forces in Central America, South Africa and South Asia. The implementation of bilateral terrorist policies between the center and client state has given way to efforts to formulate global terrorist policies involving European and Asian powers in concerted terrorist actions

against adversary regimes and movements. While this new attempt to create a multilateral state terrorist structure under the direction of the USA has not been endorsed in Europe, it still represents a clear indication of the increasing scope and importance that state terrorism has gained in American policymaking.[19]

The resurgence of US imperial state terror on a global level coincides with the relative decline of economic levers in imperial foreign policy. Core-state policymakers increasingly rely on state terror networks and policies as compensatory mechanisms in the face of an increasingly diversified world economy. No longer able to impose its will through global economic boycotts or blockades, no longer able to force allies to abide by its economic commands, the US imperial state has sought to secure through state terror what it has been unable to achieve through the economic marketplace.

The world economic crisis had a profoundly corrosive effect on the internal cohesion of Third World state terrorist regimes because of their deep structural linkages to the international market. The crisis resulted in fissures within the ruling bloc and even the repressive apparatus: the period of outward growth had papered over massive and pervasive corruption and the transfer of capital to overseas accounts. The added financial burdens accompanying the crisis expose the wholesale pillage of civil society by the terror state – setting in motion a new wave of mass popular social movements which the existing terror apparatus cannot fully repress.

The strategic concern of the managers of the imperial terror networks is to preserve the Third World state apparatus by sacrificing the titular head of the client regime in order to re-form and re-invigorate the state's capacity for repression against the social movements. The imperial state, aided by its mass media, propagate the notion that the object of the popular social movements is merely to depose a political personality (Duvalier, Marcos) – not to transform the sociopolitical system, including the armed forces. The imperial state, with the help of the mass media and sectors of the academic community, publicizes the role it plays, along with the military, in the removal of a dictator to gain democratic credibility (dubbed the 're-democratization process'), while ensuring the continuity of the state terror apparatus.[20]

Rising Third World social movements and a declining state terrorist client present a serious problem to the managers of the imperial terror network. The challenge is to recompose the terror network by co-opting a new stratum of pliable civilian politicians willing to legitimate a newly reformed and more professionally efficient state terror machine, and to repress the social movements with rigor and discipline. The problems faced by imperial state managers in this period of 'transition' and mass

confrontation are numerous and difficult: the incumbent ruler may resist displacement in order to save the apparatus; the displacement of the ruler may lead to internal divisions among contending factions leading to disintegration of the apparatus; the civilians that ascend to government may resist following the imperial directives concerning the continuity of military structures, terror, and so on; finally, the social movements may overtake the civilian/military substitute congenial to the core state terror managers and proceed to create an independent regime.

The crises of Third World state terrorist regimes and the rise of social movements has led paradoxically both to the destabilization of the international terror network and to its reinforcement. To the degree that social movements are coherently organized and possess an alternative political leadership and program capable of breaking linkages with the international terror network, consequential changes are possible – but so is the likelihood of direct US military intervention. In the absence of a political leadership capable of replacing the incumbent terror regime, the political changes induced by the new imperial political proxies threaten to unleash a new and more virulent form of state terrorism. Operating under the mantle of 'elected civilians' the reconstituted and more efficient terror apparatus, heavily funded by the imperial state, can increase the level of terror or become more selective.

The dynamics of mass democratic social movements

Against the state and its accumulation model (that bloc of power which includes technocrats, terrorists and speculators), a new political phenomenon has emerged in many parts of the Third World, with a style and substance of politics highly resistant to state repression and not easily marginalized by the economic model.

From Haiti to the Philippines, from Chile to South Africa, from South Korea to El Salvador, social movements have emerged to break the bonds of authoritarian politics and the constraints of police state regimes, to overcome the passivity and paralysis of the traditional opposition, and to forge a new political reality. What makes these social movements different from those in the past is that they are independent of traditional party-electoral political machines. They are led and directed by grassroots leaders. Policy is constantly debated in democratic popular assemblies. The strong ties to local communities and the intense but profoundly democratic political life has enabled these new social movements to mobilize previously unorganized strata: the unemployed, young women, squatters, indigenous peoples. The new social movements combine with and transcend the action of organized labor movements; street action

surges beyond the wage issues toward enlarging the areas of freedom for people to act and realize their human dignity. The social movements combine demands for immediate concrete improvements with changes in the relationship between state and society; they aim for the reconquest of the state by society. These social movements can become the embryo of a new political power, the opening wedge toward a new popular democracy.

The social movements have their origins in the mobilization of new capital and labor in the cities and the 'modernized' agricultural centers, followed by the flight of capital to the 'outside'. This process may result in a vast concentration of labor without a productive function, and without the social discipline and political cohesion imposed by capital and the state in the preceding period. In some Third World countries, social concentrations without economic integration have led to political and social upheavals. In others, growing social concentrations accompanied by a *deepening* economic integration took place under conditions which marginalized the workers' sociopolitical presence – leading to efforts to regain a sociopolitical position commensurate with their socioeconomic role in the productive system. Discussing the wave of labor mobilization and militant strikes in South Korea in the latter half of 1987, a *New York Times* correspondent noted that at a Hyundai factory strike 'labor and management are said to be bogged down over a few percentage points difference in proposed salary increases. But for some workers more than money is at stake. "What we want," one of them said, "is more dignity."'[21]

The power of these new social movements comes from the fact that they draw on the vast heterogeneous labor force that populates the main thoroughfares and the alleyways; the marketplaces and street corners; the interstices of the economy and the nerve centers of production; the exchange and finance centers: the university plazas, railway stations and the wharves – all are brought together in complex localized structures which feed into tumultuous homogenizing national movements. The great flows of capital disintegrate the immobile isolated household units, driving millions into the vortex of production and circulation of commodities; this moment of wrenching dislocation and relocation is silently, individually experienced by the mass of people, who struggle to find their place, disciplined by the struggle for basic needs and by the absolute reign of ascending capital.

Each household squats next to the other: the open sewers that begin as rivulets from each shack turn to rivers of waste and excrement moving from each settlement. This is the reconstruction of social life: the urban household begins to break down. In the midst of this 'consolidation of urban settlements' the economy collapses: there is no work, no money,

no food. The market collapses, the debt payment soars, the presidents in or out of uniform make solemn pronouncements of austerity. Prices rise, factories close, building cranes are stilled: the army of ambulatory street vendors grows. In hunger and anger the beatings between the walls of the households heighten. In affirmation of its psychological health a people, massed in misery, breaks out of the violence of the family and neighborhood, pouring into the downtown areas to challenge the repressive authorities. Amid the half-finished building projects are the stacks of unused bricks that provide the weapons of street warfare: for building barricades and for use as missiles to assault commercial enterprise and transport vehicles.

It comes down to this. Capital transformed an inert mass of atomized producers into a concentrated army; and the market that it created could not sustain it. The impersonal ties – the cash nexus – are the only link in that anonymous urban labor market. The rupture of that tie sets the stage for the eruption of uprooted people. In the urban settlements there is no longer a strip of land to subsist on; either you go into the street and impose your claims . . . or you eat your heart out in isolated anger.

In more precise terms, capitalism experienced one of its longest and most dynamic periods of extensive growth in the period after World War Two, penetrating throughout the globe. Although this expansion was highly uneven it nonetheless deepened the integration of all countries in the world capitalist market. In most of the Third World, expanded investments in industry and commerce profoundly transformed class structures, increasing the size and weight of the urban labor force in general and the wage proletariat in particular. This newly urbanized and proletarianized Third World working class, however, was most adversely affected by the decline and stagnation of world capitalism beginning in the mid 1970s and continuing into the 1980s. Massive unemployment of wage workers in the densely populated urban conglomerates, in turn, lifted the control and discipline of capital over labor – making the latter available for, and receptive to, a new kind of discipline: that associated with the structure and action of mass social movements.

Deracination and terror

Deracination is a distinct experience only infrequently analyzed as a source of violent politics. Many writers on revolts and revolution focus on issues of socioeconomic *exploitation*, national and racial *oppression*, and political *repression*. All of these relations involve state violence against particular groups within a common setting: denial of part of the fruits of one's labor; denial of the rights of self-determination

and of equal treatment before the law; denial of political freedom. *Deracination* is a far more comprehensive form of denial: it denies the totality of one's present existence and ancestry. It dissolves family ties, destroys community and obliterates history. It involves the displacement and destruction of one's sense of self: alien settlers occupy familiar terrain. Hostility by the new inhabitants deepens the estrangement. One becomes a total stranger to one's own past. The abuse of a people by an entire population creates the psychological feeling that entire peoples are responsible for individual degradation. Victimization by an entire people results in reciprocal violence against undifferentiated people. Unrepentant criminal action is the product of individuals whose injustices have been ignored by everyone.

Recent history has witnessed the rise of terrorist actions to unprecedented levels, largely by members of deracinated peoples. Today the major protagonists in the Third World revolt of the rootless are found among the Palestinian terrorists, the young black South African street fighters in the townships, the Puerto Rican guerrillas, the Colombian refugees turned gunmen from La Violencia, the Armenian Commandos. . . . In the past there was the Jewish Stern gang, refugees from the holocaust, terrorists engaging in a life-or-death struggle against the British and the Palestinians. For the terrorists there was/is only one right, one obligation: to establish roots by uprooting the usurpers. The armed struggle tapped the collective consciousness of Jews, assimilated and ghetto, throughout the diaspora. Heroic terrorist actions evoked a tidal wave of support. The terrorists captured the allegiance of the most submissive respectable businessmen who discovered their 'other identity'; they exhibited pride in shedding the nationless identity. Later, when the state of Israel was consolidated and the displaced and uprooted Palestinians began the same practice of terror, the terrorist past was rewritten and sanitized by the respectable academic descendants of the terrorists.

The people who are to be uprooted are defamed and stigmatized by the dominant force. There is denial of any redeeming value in the whole people, their culture, their way of life. They are described as an alien force, an ally of external enemies. More important, they are described as being so imbued with the hated features of an alien life that they cannot be redeemed, reformed, assimilated. The collectivity is held responsible for any individual criminal act, any protest or statement deemed hostile by the dominant force. The entire history of the people is presented as one of intruders from a lower civilization intent on eroding the moral fiber of the dominant society; they are treated as both alien and inferiors. The historical collectivity, in whatever form, is taken as an affront to the nation's existence.

The process of deracination involves the mobilization of an entire

people to physically remove another people and all vestiges, past and present, of their existence. In part this is the result of the cumulative mass resentment unleashed by the state; in part it is to foreclose any future return. Symbolic edifices are bulldozed: it is precisely the sacred shrine, the ancestral mooring, that is razed to deny any points of reference, any rallying point for a return. A parking lot, a cow pasture, an apartment complex: the banalities of everyday life have settled for all time the possibility of physical return to the symbolic terrain. The process of uprooting is violent, massive and rapid. For the traumatized survivors there is a craving to settle, to be inconspicuous, to forget. Families are separated; communities are destroyed; historical ties, lineages, language, culture are fragmented. One is forced (and many eagerly grasp the 'opportunity') to adapt to a new alien society.

Underneath layers of conformity and terror is a profound and pervasive hatred – an impotent rage that cannot be articulated or is unable to find a channel to express itself. Rage is directed at the perpetrators of the outrages. An entire people is complicit – not just the state and its agents.

The consciousness of the uprooted profoundly distrusts the whole world which crossed their arms while the worst outrages were occurring; this world which, in its better moments, provided the humanitarian aid that facilitated their exit from their own land. Driven by fear of death and the desire for physical survival they abandon their peoplehood. In the diaspora, uprooted consciousness develops a morality which comes to terms with the inhumanity of the surrounding world. It trusts no one, it believes in no morality except one.

The first and only moral issue is the outrage, the violation of a whole people. Humanity begins only with the recognition of this condition; afterwards there is the discussion of the wrongs of others. The catastrophe shapes the survivors' consciousness in different ways. Some bury themselves in business, in the shrunken circles of the remnant community, in assimilation and adaptation. A few talk quietly of revenge. While the terrorists are few, underneath the veneer of everyday civility of the many, there is buried the profound hatred of the violators. That is why when the 'extremists' strike back, the moderates 'dissociate' themselves in public but in private share the satisfaction of a vicarious vindication . . . and not a few contribute to the legal defense of the defendants 'to ensure a fair trial' (so they say).

The deep psychic roots of revenge among the deracinated is evident in the next generation; the one that only partially experienced the violations of their 'peoplehood' or experienced it 'second hand'. It startles the superficial observer to see this revival among the successful,

the affluent, those who became assimilated – or so it seemed. The outrage among the second generation is even more intense: the time that has passed only seems to fix the injustice: it endures and has become routinized. Forgetfulness is all the more hateful: it is not even an issue of commemoration except among the survivors. Perhaps once the trauma of the original survivors has disappeared, the new generation can experience even more directly the full effects and implications of uprootedness – and are less fearful to retaliate.

For those who move toward action, the sense of isolation, the experience or sense that violence is what has turned history against them, the total absence of political solidarity let alone consequential action, creates the idea that they can rely only on themselves, they must counter violence with violence. The idea grows that no one, whether executioner, spectators or the indifferent (let alone the oblivious) warrant any immunity from retaliation, when they strike at the objects of revenge.

Violence is the first experience in becoming deracinated; the sole overwhelming issue is the flight from it. The sense of helplessness before overwhelming force shapes initial consciousness. The transformation of the deracinated into the terrorist is accompanied by the self-image of returning armed to terrorize the terrorists. The act of violence becomes an element to negate the negator. Unable to recreate the past the terrorist seeks to deny the others what they have been denied. In this world of 'negative existence' the act of terror takes on special meaning. It captures for a moment the sense of confrontation between two violent existences: the terrorism of the past confronts the terrorism of the present. The terrorist sense of power and worth is derived from the dominant group's incapacity to control, to prevent the terrorist act – its incapacity to further decimate the remnant. For what preserves the élan of the terrorists is the transcendent belief that they are the last remnant of the survivors capable of reconstructing the past and willing to destroy the present to accomplish it. The emblematic motif of their action could read: 'A country for all or a country for none.'

Why can deracination lead to terrorism without moral compunction, to suicide missions, to the rejection of all arguments, strategic and tactical, from erstwhile sympathizers? Why are terrorists not intimidated by the threats from all sides? Having lived through the inferno of being despised by everyone, living off the largesse of arrogant benefactors who 'tolerate' them as second-class citizens, their life revolves around one issue: retaliation. It is from the gun that the deracinated become the intimidators; that they humiliate their benefactors, threaten their counselors of moderation, provoke the impotent rage of their persecutors. For the terrorists, evoking these responses is a form of 'liberation

of psychic space', shedding the burdens of daily humiliations, burning out the memories of defeats without struggle.

Rootlessness, not exploitation or unemployment, has been the main driving force behind some of the most violent actions in the contemporary world. Likewise, the Uprooters, the Deracinators, such as Israel, Turkey, South Africa, El Salvador, Guatemala and Afghanistan have been the most ruthless practitioners of state terrorism. Palestinians, Armenians, South Africans, Central Americans and Afghans have been violently uprooted and displaced from towns and villages and transformed into deracinated peoples. Sooner rather than later some of the uprooted learn to be violent – with no moral compunction because no authority has observed moral codes or been subject to any social constraints. A moral education has been denied them.

What kind of regime results from the rise to power of the uprooted? It will not be a generous regime particularly for those who are displaced. The victims become executioners; there is no sense of generosity or feelings of charity for the defeated. The hardships of their recent past are revisited on any peoples or groups which stand in the way. The new state, deeply imbued with a sense of its own historical suffering, assumes its moral justification and superiority. By definition, each act of retribution will possess the aura of righteousness. Who can deny a persecuted people its right to its excesses? This is the response of the respectable and thoughtful who gather to celebrate the Return.

Israel is par excellence the country constructed by the uprooted through violence and terror: its policies and views of its enemies still bear the deep imprint of its origins. The terror bombing of Lebanon, the policy of collective punishment for any individual acts of violence, the paranoid view of permanent warfare. This is what it experienced. This is what it practices. The sense of being encircled by savage Arabs, on the verge of betrayal by untrustworthy Europeans, ganged up on by hostile Third Worlders, is indeed a reproduction on an international scale of the bunker mentality of the terrorist underground and of the Holocaust survivors' experiences of abandonment by the whole world. Even the language of the terrorist underground surfaces not infrequently: the only thing the enemy understands is force.

The brutality of Israeli politics is not a function of anything particular to Zionism, much less Judaism, but rather a direct result of the experience of deracination translated into political power. The Palestinians, and other deracinated terrorists, if they come to power will act in the same way. The same moral righteousness will blind them to the rights and obligations of any people who will remain in the new state. The best hope for breaking the cycle of deracination and terror is in forging bonds of solidarity with uprooted peoples. Common struggle can recreate the

sense of humanity so lacking and necessary for overcoming the traumas of the past. From solidarity can emerge a nation and a people in which victorious victims do not turn into executioners.

While social movements and state terror have emerged as one set of polarities in the post-modern period, deracination and terror form the other set of polarities. Politics is about economic structures, but that is not the whole of it. Issues of political and cultural identity – of one's sense of peoplehood and personal worth – have loomed large in the present period. Not content with establishing their own national independence, some regimes have attempted to deny it to others. Settler states such as Israel and South Africa highlight a more general phenomenon today that afflicts Third World and advanced industrialized countries: the deracination of subject peoples evoking a terrorist response.

Conclusion

The transformation and re-ordering of the world economy has defined a new period of transition, a process increasingly marked by violence. Declining structures refuse to gracefully pass away and new structures struggle to gain ascendancy. In the theoretical realm we are burdened by the language, categories, ideologies and myths that attempt to represent a fading reality. The remaking of the modern world contains three types of structuralism: a theory of imperial decline, a dialectical process in which the structures that propelled global expansion become the basis for national decay within the advanced industrial societies; a theory of exploitation and accumulation anchored in the structure of state terror but negated by mass democratic social movements – the principal contradiction of industrializing Third World societies; and structures of myths and ideologies of 'new states', together with the accompanying process of deracination that is a consequence and cause of their ascendancy.

Our study began with an analysis of development theory and the attempts by Western social scientists to impose an economic and political rationality ('modernization theory') on the process of capitalist transformation of the Third World. We argued that the gap between the rational-logic model and experience led to revision, then to its demise. What remains of modernization theory is the language as a myth or an ideology of social action. The language serves as an excuse for the absence of a theory capable of confronting the problems of disaccumulation, economic and social regression, and atavastic religious and military revivalism. In much the same way, the liberal-pluralist-distributive vocabulary has become the banner of

nations that cannot grow and 'freedom' has become the ideology of those who cannot compete. Myths become prominent compensating mechanisms for declining world powers.

We next examined the global polarities envisioned in dependency theory and found it lacking in historical specificity, tied to cyclical processes and unable to explain its own transcendence. Meanwhile, this theory became an albatross for the politically activist left unable to locate the agencies of transformation in a world in the throes of restructuring.

Our critique extended not only to the irrelevancy of developmental concepts ('modernization', 'dependency') but also to the uselessness of the very language of development theory. The discourse of rational-technical-innovative subjects in the age of speculators, lumpen intellectuals and rentiers is anachronistic. If we need to draw on historical analogies to formulate analytical categories to best capture the operations of the state, we should turn to the practice of the Borgias, not to the Weberian rational-calculating bureaucrats. Economic analysis can learn more about contemporary capitalists by reading of Balzac's Parisian swindlers ('behind every great fortune there is a great crime') than by studying Schumpeter's entrepreneurs.

We then posited an alternative way of framing politics that operates on four levels of social action, each with its principal actors. The first is the economic system, its contradictions and its cyclical rise and decline. The focus is on the relations between the state and capital (the overlapping affiliation), and the symmetrical and asymmetrical relations between military, political and economic structures and the ideologies and norms that shape them. The second is the interstate system and the role of violence in the accumulation process. The focus is on the reciprocities between state terrorists and technocrats (the principal actors) and how their interactions impact on markets, social structures and political movements. The third is the role of social movements and their impact on political mobilization, social transformation and political participation. The focus is on the rank-and-file militant (the pivotal actor) within the matrix of the social movement. The fourth is the deracinated individual locked into a matrix of violence, and its reproduction through permanent dislocation. The focus is on the interaction of personal and structural violence, in which discourse is subordinated to subjective vindication.

A theory encompassing these four levels of social action will emphasize both the ongoing conflicts and polarization, as well as the moments of unstable equilibrium that precede transformative experiences. This approach incorporates the national concerns of modernization theory, the global elements of dependency theory, and the individual motivations of rational choice theory – but in a discourse of its own.

Notes

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PART II

Inter-State Relations

2

The Role of the Imperial State in the Decline of US Hegemony

Conceptualizing the Imperial State

In discussing the USA today, we are not dealing with the 'capitalist state' or the 'state in capitalist society', but with the imperial state. And it is time that we discard the notion that imperialism is an 'economic phenomenon' that can be analyzed by looking merely at the flow of capital and corporate behavior. The literature on the multinationals, as unsystematic and rich in detail as it may be, tends to forget the institution that created the universe in which they function: the imperial states.[1] Nor can any discussion of capital accumulation on a world scale become meaningful unless we understand the central role of the imperial state in creating the conditions for it. The imperial state does not function on the basis of some inner logic of its own but, on the contrary, responds to the interests and demands of capitalists seeking to move capital abroad in order to pursue accumulation activities on a global level. The US state, as an imperial state shaped and controlled by 'outward looking' capital, moves initially to create the conditions (for instance, 'state building', infrastructure development) for long-term, large-scale multinational capital flows into the targeted (imperialized) countries. But efforts to analyze the post-colonial (imperialist) system have to be put in the context of the multiple activities of the US imperial state (which includes not only state formation but also state disintegration and 'reconstruction') designed to sustain the conditions for capital accumulation and expansion in the periphery of the capitalist world economy.

To study the imperial state as opposed to the capitalist state, we must develop new conceptual thinking. The political, social, and economic conext within which the 'capitalist' state and the imperialist state function is radically different. Within the bounds of the nation-state, the capitalist state is the only source of sovereign authority. In contrast, the imperial state exercises its authority in a field of competing and aspiring sovereigns – competing imperialist states, regional powers, and local authorities. The competent authority is clearly delimited in fact, if not in law.

In the setting of accumulation on a world-historical scale, the emergence of the USA as a competitive and subsequently dominant imperial power within world capitalism is of relatively recent origin. Since the last decade of the nineteenth century, however, no movements of US capital overseas have taken place without the sustained involvement of the US imperial state, whether we talk about the entrée, expansion, or survival of this capital in the states in which it has located. The centrality of imperial capital within the US social formation defines the 'domestic' and 'external' structures and functions of the state as well as its policy. The roots of the state are anchored in the USA, and its branches span the globe. Its origins began in the national unit; its functions and operations grow in a multiplicity of societies and transnational organizations.

In the following discussion we will develop a theoretical framework in which to discuss the US state, one that is anchored in new relations of international domination, exploitation and competition.

The US imperial state can be defined as those executive bodies or agencies within the 'government' that are charged with promoting and protecting the expansion of capital across state boundaries by the multinational corporate community headquartered in the imperial center. Some imperial agencies, such as the Departments of Commerce and the Treasury, are more directly linked to the US private corporate world than others, but the actions of all are directed toward the goal of facilitating US capital accumulation and reproduction on a worldwide scale. The US imperial state essentially exercises two major functions: one economic, the other coercive. Although analytically distinct, both these apparatuses perform interrelated functions at the operational level to sustain the conditions for global capital accumulation. The Cuban and Dominican Republic interventions in the 1960s provide striking illustrations of this general point. During 1959 and 1960, the imperial state mounted an aggressive policy of economic sanctions against the Cuban Revolution. These cumulative external pressures served partly to create the basis for indirect military intervention in April 1961 in order to reconstitute the capitalist politico-economic order.[2] In contrast to the historic defeat suffered in Cuba, the 1965 US marine invasion of the Dominican Republic to crush a coalition of nationalist military

forces and armed urban workers on the verge of achieving political and state power achieved its objective. The invading forces imposed a pro-imperial outcome on the internal social struggle, laying the groundwork for renewed imperial state 'development' loans and credits from the Agency for International Development, the Export-Import Bank and other public agencies. These flows of 'infrastructure' capital functioned, in turn, to restore an appropriate and secure milieu for foreign capital accumulation.[3]

The activities of the US state, concerned primarily with the preservation of internal order, are increasingly overshadowed by action directly addressed to the social order within the capitalist world as a whole. This duality of the state – guardian at home and instrument of expansion abroad – is reflected in the overlapping jurisdictions of key imperial state departments such as the Treasury which controls the flow of currency inside the USA but also instructs American representatives in the 'international banks' how to vote on loans regarding capitalist development abroad.

As more and more of the largest US industrial and financial corporations have expanded abroad, and as a larger proportion of their total earnings is derived from their overseas operations,[4] the activities of the imperial state have become increasingly important for the maintenance of these 'building blocks' of the US capitalist economy. The post-World War Two imperial state apparatus preceded and initially grew much more rapidly than US corporate capital. While private funds began to advance abroad shortly after 1945, the networks and alliances fashioned by the much more voluminous state and public investments, in the form of foreign aid, were essential in creating the groundwork for the later acceleration of private capital investment. For many writers who adopted a short-term view of these developments, the initial great excess in public expenditures and noneconomic activities over and against private investment and returns was an argument against the theory of imperialism. By emphasizing military organization and spending, they were given a false sense of 'autonomy', ascribing this growth either to strategic thinking ('national security') or to the 'imperatives of bureaucratic organization'.[5]

The long-term global impact of massive military and nonmilitary expenditures and activities, however, was soon to be matched and surpassed by the massive flow and accumulation of private capital. From the latter phenomenon, a new group of writers began to assert the 'autonomy' of 'multinational' capital, forgetting the state's role in providing and sustaining the universe within which 'multinational' capital operates.[6] These erroneous conceptions reflect the narrow interpretive focus of the research, which attempts to identify mechanical correlations

between economic causes and political effects, or vice versa. The alternative approach is anchored in a broader world-historical analysis of the interplay between the political and economic forces within the capitalist state over time and across regions – an analysis which emphasizes the role of the imperial state as the organizing force behind the process of global capital accumulation. The imperial state embodies the present and future collective interests of the most dynamic sector of capital.

Analytical Framework

The development and projection of an imperial state is a fundamental concern of all capitalist countries seeking to capture a substantial share of the world market. No country can rely on private initiative or the magic of the marketplace to become influential within the global economy. The range of activities that accompany large-scale, long-term overseas private capitalist transactions (financing, research, contracts, and so on) are dependent upon the existence of an imperial state. However, while all capitalist countries depend on an imperial state to facilitate expansion into the world economy, not all imperial states are the same. Moreover, the composition and functioning of the different imperial states can have major consequences for the position of each country. The fundamental difference between imperial states is based on which of the two key components predominate – the economic or the military.

The central focus of this study is the current decline of US imperialism and the contribution of the US imperial state to America's deteriorating power and influence within the capitalist world economy. The following propositions serve as basic guidelines to our discussion:

1. The divergence between the internal components of the imperial state – between military/ideological on the one hand and economic on the other – will have consequences for the overall position of competing imperialist countries in the world economy.
2. The disproportionate emphasis on military and ideological components of the US imperial state relative to Japanese and German imperial states has led to a declining capacity of the US state to service overseas capital and has contributed to the relative decline of US global hegemony.
3. The disproportionate emphasis on economic agencies in the Japanese and German imperial state, relative to the USA, has led to an increasing capacity of these states to service and promote capitalist

expansion and contributed to the relative improvement in their position in the world market.

4. The US emphasis on reversing Third World revolutionary upheavals, first in Vietnam and later in Central America, Southern Africa, South Asia and the Middle East, strengthened the ideological/military components of the imperial state. In the process, Washington sacrificed the kind of restructuring necessary to regain economic leverage and competitiveness within the global economy in the context of growing challenges from principal allies (for example, West Germany, Japan) and newly industrializing states (for example, South Korea, Hong Kong).

5. In the balance, positions within the global economy and hegemonic status are determined by relations and competition between the major capitalist countries, not by ties between core and peripheral economies or conflict between the USA and Third World countries.

US imperialism has passed through three reasonably distinct phases during the twentieth century: from a rising imperial power challenging the existing imperial-colonial empires (Britain and France) and competing with other ascending imperial aspirants (Japan and Germany) during the pre-World War Two period; to a dominant imperial power, overwhelming imperial competitors and displacing the older empires between 1945 and 1965; then to a declining imperial power since the mid 1960s, under seige primarily from rising imperial competitors in Western Europe and Japan, secondarily from newly industrialized capitalist countries, and to a more limited degree from revolutionary Third World nations.

The decline of US imperialism can best be understood in relation to its major capitalist competitors, Japan and West Germany. The latter have determined major shifts in markets, investments and profits in the contemporary period, not Third World social revolutions which, with the possible exception of Iran, have taken place in non-strategic areas of capitalist investment. At the same time, while Third World revolutions have not undermined the imperial system they have had a profound effect on imperial countries insofar as they have contributed to the displacement of one imperial power from a dominant position and facilitated the ascent of a competitor capitalist power. The most striking recent case is the massive US financial commitment to prosecute its war against social revolutionary forces in Vietnam which had a powerful negative impact on the American economy and the imperial state which, in turn, was instrumental in advancing the global economic fortunes of Washington's competitor 'allies'.

Based on the assumption that the major challenge to US imperial domination is coming from the advanced capitalist countries, it follows that we need to examine the respective imperial states and the state-class relationships to identify the qualitative differences that account for the decline of the United States and the rise of countries such as West Germany and Japan. Our principal argument is that notwithstanding the centrality of military and ideological components, the rise and fall of a country's position within the world economy is dependent on the strategic role of the economic components of its imperial state – more precisely, on the deep structural links between these imperial economic agencies and dynamic productive capital. We further hypothesize that the West German and Japanese imperial states among others are constructed and function largely as economic institutions with a high proportion of personnel oriented toward economic roles and functions that benefit imperial capital; whereas the US imperial state is primarily a political-ideological military-intelligence apparatus with little or no direct relevance to promoting US capital accumulation and expansion in the international marketplace.

A key element in the rise of an imperialist power and, by extension, its decline, is the relationship between the imperial state and the dominant classes. As noted earlier, during the ascending period of US imperialism the imperial state played a central role in creating the conditions for the internationalization of capital. There was a reciprocal relationship between the imperial state and international capital: sustained and comprehensive state activity promoted capital expansion, high rates of return and low-priced commodities financed the growing power of the state. This reciprocity was accompanied by a dynamic equilibrium between the growth of the two basic components of imperialism. Up to the mid 1960s, the growth and expenditures of the state were commensurate with the growth of international capital. Then, two factors intervened to upset this equilibrium: an over-extended imperial state in Vietnam, and the relative decline of the American economy due to a combination of excessive military spending and increasing international competition from capitalist economic competitors.

The general disequilibrium between state and capital was exacerbated by a further disequilibrium within the US imperial state between the economic and military-intelligence components, with the latter increasingly eclipsing the former. The relative decline of the economic agencies of the US imperial state occurred precisely at the moment when its principal imperial competitors – especially West Germany and Japan – were constructing imperial apparatuses almost exclusively devoted to economic functions. As the crisis in US state-capital relations deepened, Washington sought to re-establish its formerly dominant position by

resort to two major strategies: detente in the early 1970s, and military superiority in the 1980s.

Detente was an attempt to reach an agreement with the Soviet Union through state-to-state agreements to accept the status quo regarding spheres of influence and the arms race. Detente was an attempt by Washington to cut back military expenditures and activities in order to recreate an equilibrium between the imperial state and capital. Detente, however, was not accompanied by any serious effort to reform the imperial state apparatus and convert it into an effective instrument of capital expansion. Nor was any effort made to restructure US capital away from its preoccupation with defense and speculative or finance-related activities. Finally, neither the Soviet Union nor US regional clients were capable of limiting or containing revolutionary upheavals in the Third World. Washington therefore decided to shift away from detente and the search for a new equilibrium, substituting a policy of putting the imperial state in command through an unprecedented strengthening of its military-intelligence and ideological components. The strategic goal was to deliberately promote a disequilibrium – to encourage uneven growth between the imperial state and capital, between the military and economic agencies of the imperial state. The hope was that the imperial state would create a politico-military 'shell' for regaining economic losses and reasserting global economic hegemony. In pursuit of this objective, Washington envisioned using its comparative advantage in military technology over its capitalist competitors to somehow compensate for its economic decline. But this approach not only failed to gain its stated objective – a new period of global economic dominance; it also exacerbated the problems in the US domestic economy, thus precipitating a further decline in America's worldwide power.

In this particular context, reciprocity between the imperial state and capital works in reverse: the growing budget deficits and trade imbalances provoked by the policy of unbalanced growth of the military components of the imperial state weaken capital; declining capital is no longer able to sustain growing imperial state expenditures; and this development unleashes pressures for conjunctural policy shifts at the margins of the imperial project which raise the possibility of a reversion to detente (new summit meetings, arms control negotiations, and so on).

The primacy of the economic relations between the state and capitalist class in determining a country's position within the world economy has two bases. First, the long-term, large-scale functioning is only made possible by the dynamic reproduction of capital. A crisis of capital reproduction has a direct effect on all other aspects of society (ideological, political, and so on). This is not to say that military,

cultural and other factors do not impinge on the reproductive capacities of capitalist classes; it is to argue that these other elements cannot exist or reproduce themselves in the absence of production and exchange. Second, there is historical observation of the major imperialist countries in the post-World War Two period. Comparisons of a single country over different periods or different countries demonstrate the centrality of the economic linkages. The rise and decline of US global hegemony between the 1950s and the 1980s coincides with the subordination of the military-ideological to the economic agencies of the imperial state and vice versa. Similar outcomes are observable if we compare West Germany and Japanese imperial state-capital relations to those of the USA over the same period. In both these cases, the expansive and interventionist state in itself is not the decisive factor in maintaining hegemony; rather it is the content of the state and its linkages to the class structure that is decisive in changing the possibilities of global hegemony. 'State' or 'class centered' analyses by themselves do not tell us the full story. The interaction between state and class, more precisely the interaction between productive capital and the economic agencies of the state, are central to the creation of global hegemonic powers.

Imperial Rivalries, Imperial States

Since the Vietnam war period, differences between the USA and competitor imperial states have become more accentuated. Except for the detente interlude of the early and mid 1970s, the USA has steadily expanded the military/intelligence agencies of the imperial state, while the economic agencies have declined in relative and even absolute terms. The Reagan presidency in its determination to reverse the deteriorating position of the US political economy through a global strategy of military confrontation and overt subversion offers the most dramatic illustration of this process. In terms of institution building, budget allocations, and personnel recruitment, the Pentagon and the Central Intelligence Agency (CIA) have far outstripped the economic departments of the US imperial state since the end of the Carter years.

Between 1980 and 1987, the US defense budget increased by approximately 50 per cent from $140 billion to $282 billion. The latter figure exceeded defense spending at the peak of the Vietnam conflict ($280 billion in 1968).[7] Military outlays rose from 4.8 per cent of Gross National Product (GNP) in 1978 to 6.4 per cent in 1987.[8] According to a joint Commerce-Labor Department study, defense spending between 1980 and 1985 not only increased from 23 per cent to 27 per cent of the federal budget but also generated approximately

one million new military-related jobs during this period.[9] The Reagan White House also substantially increased American troops abroad, the army's special counter-insurgency forces, and weapons sales to foreign countries. Exports of military-related goods skyrocketed from $10.2 billion in 1980 to $24.4 billion in 1984.[10] One authority described the Reagan defense buildup as 'an unparalleled six-year era of sustained real growth in defense dollars . . .'[11]

In the intelligence sphere, the Reagan administration presided over a similar upsurge in funds, personnel and institutions. The overall intelligence budget increased from $10 billion in 1979 to $24 billion in 1986, and between 1981 and 1986 it grew at an even faster rate than the defense budget.[12] Bob Woodward observes that under the Directorship of William Casey the CIA was, as early as 1984, 'closer to worldwide coverage for the first time; there were efforts to have some assets and collection resources devoted to each country in the world. . . . Recruitment of agents was up, doubled in Central America.'[13] Casey's primary objective was to reinvigorate and expand the Agency's Directorate of (Covert) Operations which was responsible for global spy networks and clandestine paramilitary actions. During the Carter years, the number of CIA covert operatives declined to approximately three hundred, and two or three large-scale clandestine programs were mounted annually. Within three years of Reagan taking office, the number of operatives had risen to 1,000 and the Agency was running seven or eight major covert operations around the world.[14] Up to 1986, many of the approximately 3,000 new positions in the Casey-led CIA went 'into beefing up the Directorate of Operations'.[15] For the first time since the Vietnam War, the CIA's annual budget for secret missions exceeded $500 million and in late 1985 or early 1986 the White House decided to establish a new secret interagency committee – the '208 Committee' – to oversee the imperial state's proliferating covert operations abroad.[16]

The shift in the structure of the US imperial state is both a cause and consequence of a declining American economy and a shifting corporate orientation from industrial to finance capital. In contrast to Washington's military/intelligence focus, Western Europe and Japan since the mid 1960s have embarked on policies to expand to the maximum the economic agencies, personnel and institutions of their respective imperial states, deepening the integration or interpenetration of the state and private corporation. This increase in overseas economic activity accompanied the dynamic of accumulation of external private capital; each reinforced the other in an upward spiralling process.

The almost exclusively economic nature of the Japanese imperial state offers a particular contrast to the overdevelopment of the military-

clandestine-ideological components of the US imperial state. Over the last quarter century, big business in Japan has exerted considerable influence over domestic and foreign economic policymaking through its personal and financial relationship to the politically dominant Liberal Democratic Party and its close working ties with the powerful state bureaucracy.[17] The key Ministries of Foreign Affairs, Finance, and International Trade and Industry (MITI) have collaborated, on an ongoing basis, with Japan's major business organization and associations, individual corporations, and influential business leaders to devise and pursue policies favorable to the country's outward-oriented (trade and investment) capitalist class. One of the favored means for conducting economic diplomacy abroad has been the economic mission staffed by senior state and business leaders. 'Since the mid 1960s,' writes one authority, 'participation by businessmen in Japanese diplomacy has been considered a constant rather than (as in the United States) an intermittent phenomenon.'[18] Finally, within the Japanese imperial state, a disproportionate number of bureaucrats with foreign policy responsibilities are located in the economic agencies (over 7,000 out of 10,000 during the mid 1970s).[19]

The West European and Japanese imperial states specialized in economic activity because they functioned under the American military umbrella at low, if any, cost. Early on, senior Japanese and West German imperial state officials, in particular, must have recognized the advantages of a militarily strong and economically weak US imperial state and the opportunities that it offered. This resulted in encouragement, promotion and reinforcement of US cold-war military postures as long as they did not curtail or interfere with these countries' pursuit of economic markets. On occasion, of course, conflicts have arisen over US ideological-military policies attempting to restrict Western European/Japanese trade relations with the East or South – most notably during the Reagan presidency.

During 1981 and 1982, the US imperial state aggressively campaigned to halt all European capital goods exports and credits allocated to the Soviet Union's natural gas pipeline project and to force NATO governments to participate in a program of economic sanctions against Poland after General Jaruzelski's declaration of martial law. In both these instances, America's imperial state competitors refused to go along with White House policy because it jeopardized important existing economic ties in the absence of meaningful trade and financial alternatives. In 1980, for instance, total two-way trade (exports and imports) between the European Economic Community and Eastern Europe reached approximately $56 billion. Moreover, Soviet natural gas exports to Western Europe had more than tripled since 1975; the Bonn-Moscow

natural gas agreement signed in November 1981 was the single largest business transaction in East-West history.[20]

Reagan's efforts to impose global economic sanctions against Third World countries – Libya in 1981 and 1986, and Iran in 1987 – were also strongly resisted by its Western European and Japanese allies. Officials of these imperial states described Washington's call for trade retaliation measures against Libya in January 1986 as 'an unsuitable instrument',[21] which was not surprising in view of the fact that European Economic Community exports to Libya in 1984 totalled over $3.8 billion compared with US exports worth a paltry $220 million.[22] Refusal to risk a lucrative and economically strategic relationship also shaped Japan's rebuff to Reagan's efforts to institute trade sanctions against Iran in 1987. The Middle Eastern country was one of Japan's key oil suppliers (over $1 billion worth of crude petroleum in 1986) and a significant market for machinery and ship sales (total exports valued at $1.4 billion in 1986).[23]

At the same time, the periodic appearance of these kinds of frictions did not fundamentally challenge or alter the long-term, large-scale advantages that West European and Japanese imperialism held over the USA as a result of the divergent roles of their respective imperial states.

Beginning in the early and mid 1970s, key US policymakers began to perceive the unequal benefits of a situation in which competitor imperial states pursued economic objectives while Washington paid the military bills. The White House and the State Department argued that allied imperial states, especially West Germany and Japan, should expand their military components and shoulder part of the burden for policing the imperial system. This pressure on NATO countries and Japan to increase their weapons procurement policies, build up their armed forces and assume an increasing share of the military costs of defending the imperial system reached a peak during the early period of the Reagan administration. 'It is essential,' Secretary of Defense Weinberger declared in March 1981, 'that we develop a more rational "division of labor", under which our NATO allies and Japan will be asked to join in contributing more to our common defense.'[24] Japan, in particular, was singled out for its failure to devote a greater proportion of the national budget to defense spending. In October, Weinberger raised the issue again, this time in regard to the Persian Gulf: 'Western Europe and Japan dare not settle for merely increasing their trade and diplomatic contacts with nations in Southwest Asia as their contribution toward keeping the oil fields out of unfriendly hands . . .'[25] Nonetheless, despite continuing pressures and threats emanating from the Reagan White House, the disparities in defense spending remained essentially unchanged. In 1987, US imperial state military outlays accounted for 6.7

per cent of GNP; the equivalent figures for its two major competitors – West Germany and Japan – were 2.5 per cent and just over 1 per cent respectively.[26]

As far back as the latter half of the 1970s, however, there were also a few voices raised in support of trimming the military component of the US imperial state and shifting more resources to the economic agencies. That such a potentially important historical debate never took place, or at least never moved to center stage and engaged the executive branch leadership, requires an explanation. Two primary reasons account for this failure to restructure the US imperial state and, by extension, to redefine the division of labor between military and economic roles among key allies/competitors. First, during the mid and late 1970s, a wave of revolutionary upheavals throughout the Third World unravelled longstanding regional client networks. Successful revolutions in Angola, Ethiopia, Zimbabwe, Mozambique, Iran and Nicaragua displaced strategic US clients who had formerly collaborated in policing these regions and containing local revolutionary forces. The US imperial state lacked a political leadership which could have put these regional 'losses' in a broader structural-historical context. Instead the late Carter and Reagan administrations set in motion the bureaucratic-political and ideological machinery to reconstitute, then expand, the military components of the imperial state.

Second, the nature of US capital had shifted during the 1970s – both domestic and overseas – decreasing the pressure for an economic activist imperial state. Internally, the shift involved the relative growth of financial transactions over productive activities, graphically revealed in the nature of the US economy's debt explosion. Over the last decade, borrowing in the financial sector has far outstripped borrowing by government, consumers, or nonfinancial businesses. The unparalleled growth in speculative and financial activity has structurally transformed the domestic economy into one where, in the felicitous terms of Paul Sweezy and Harry Magdoff, 'making money' has become relatively much more important than 'making goods'. In 1985, the financial sector (finance, real estate, and insurance) accounted for 40 per cent of the goods production sector's contribution to GNP compared with 21 per cent in 1950! Externally, the shift involved the growth of financial relative to capital investments and the subsequent displacement of public loans by private loans.[27] The growth of private overseas lending (finance capital) downplayed the role of imperial state financial institutions. Public overseas lending was perceived by the private banking institutions as a potential competitor in the financial markets. This growth and expansion of private finance capital overseas effectively encouraged the relative decline of the economic agencies of the US imperial state

and, deliberately or not, furthered the expansion and ascendancy of the military instrumentalities. This trend was accelerated during the Reagan presidency with its emphasis on the free market, political and ideological activism, and military confrontation on a world scale. During the 1980s, the ascendancy of finance capital, a weakening of the economic agencies of the imperial state and the rise to political power of ideological-political rightists espousing global military metaphysics converged to deepen the imbalance between the economic and military components of the US imperial state.

The increasing severity of the international debt crisis and global economic recession of the early 1980s, however, began to force this convergence between financial and political-ideological factors into the background and replace it with a conflict of interests. Finance capitalists now increasingly sought to bolster the international economic agencies of the imperial state, pressuring them either to provide the necessary economic resources to revive the debtor economies or bail out the over-exposed bankers. Nonetheless, the ideological-political power bloc continued to pursue and promote policies based on the primacy of an ever-expanding military structure of the imperial state. Despite rising friction between the dominant economic and political-ideological groups, the continued ascendancy of the latter ensured the increasing loss of overseas markets. Between 1981 and 1986, for instance, the value of US exports to the biggest Latin American debtor countries dropped from $32 billion to $22 billion.[28]

Meanwhile, the coordination between the private investment/commerce sectors and the economic agencies of the West German and Japanese imperial states facilitated major inroads into former US-controlled overseas markets as well as into the US domestic economy.

In 1950, the USA produced 40 per cent and Western Europe/Japan less than 22 per cent of the world's goods and services. By 1980, these figures were reversed to 23 per cent and 39 per cent respectively.[29] Between 1960 and 1980, the US share of world trade declined from 16 per cent to 11 per cent, with the worsening competitive position most marked in manufacturing (market share down from 26 per cent to 18 per cent).[30] In 1986, for the first time since World War Two, the USA lost its position as the world's leading exporter – to West Germany, with Japan threatening to topple it from second place. During 1986, West Germany and Japan achieved a combined trade surplus with the USA totalling almost $68 billion.[31]

The Japanese challenge in the areas of high technology, automobiles, machine tools, and consumer electronics since the 1960s, and especially during the 1980s, has been dramatic. In the high technology field, Japan has already overtaken the USA in the production of computer chips and

now supplies 'critical' components for US weapons systems including all the 'float-zone' silicon needed for space-based weaponry and a large proportion of the gallium arsenide chips which are vital for the SDI ('Star Wars') program. Moreover, in the last decade, Japan's share of the world's semiconductor market has risen from 25 per cent to 45 per cent while the US share has shrunk from 60 per cent to 40 per cent. According to House Armed Services Subcommittee estimates, currently about 80 per cent of all semiconductors used in US weapons systems come from Asia – and a substantial portion of these are Japanese imports.[32] Finally, it is worth noting that in 1986 the USA for the first time ran a trade deficit in high technology products.

At the same time, Japan has also overtaken the USA in the production and export of industrial products. In the early 1960s, the USA produced nearly 90 per cent of the world's color television sets, almost half of the world's automobiles, and almost a quarter of the world's machine tool exports. By 1987, Japan produced more than half of the all color television sets and nearly half of the world's cars, while the USA's share of the world's machine tool exports fell to a minuscule 4 per cent (imports of the latter increased from 4 per cent to 47 per cent of the domestic market over this same period).[33] In all of these areas, the USA was forced to purchase increasing quantities from abroad, principally from Japan, contributing substantially to the persistent and growing trade deficit. The US trade balance in manufactured goods fell from a surplus of $18.2 million in 1981 to a deficit of $15 billion in 1986.[34]

In Southeast Asia, Japan has supplanted the USA as the dominant external power in the areas of trade, capital investment and technology transfers. Japanese manufactured exports such as textiles and electronics have displaced US competitors from traditional ASEAN markets. At the same time, Japanese imports from Southeast Asia have risen enormously (for example, up 45 per cent during the first nine months of 1987). The Industrial Bank of Japan Ltd projects that 1990 figures will show the volume of Japan's trade with the rest of Asia as equal that of the USA.[35] Meanwhile, Japan has already overtaken the USA as the largest foreign investor in the ASEAN countries. US direct investments declined during 1985 and 1986 to an estimated $9 billion while Japanese investment soared during this same period reaching $13.5 billion.[36] A similar shift has begun to take place in the area of finance capital. As US private banks contract their involvement in the wake of multimillion write-offs (for example, Bank America Corporation's Indonesian losses), Japanese bank lending has increased and the Tokyo bond market has also emerged as an important source of funds for governments in the region.[37]

Japanese and West German investors have also rapidly expanded their

holdings in the US domestic economy during the Reagan presidency. Direct Japanese investments in stocks, bonds, real estate and factories almost quadrupled from just over $2.7 billion in 1982 to almost $10.2 billion in 1986 (while US direct investment in Japan less than doubled from $6.4 billion to just over $11.3 billion).[38] On a per capita basis, however, West German direct investment holdings in the USA are even larger ($231 compared to $159). Total investments at the end of 1985 stood at $14.1 billion.[39] Although these and other foreign investments are minuscule when contrasted with a US economy with corporate assets valued in excess of $2 trillion, it 'has become politically significant . . . because of the speed with which it has grown, the jobs and economic activity it has stimulated and its location [southeastern states]'.[40]

Fueled by massive profits from exports and overseas investments topping $80 billion in 1987, and large-scale domestic savings, Japan emerged as a dominant global financial power and capital exporter during the 1980s, exerting an unprecedented impact on the world's financial markets.[41] The country's gross external assets (medium and long term) more than quadrupled from $160 billion in 1980 to $727 billion in 1986. Japanese banks played an important role in this rise to investment preeminence. In 1982, the largest Japanese bank, measured by assets, ranked eighth in the world; by 1988, the world's seven largest private financial institutions were Japanese-owned.[42] Currently, Japanese banks constitute the largest single group of international bank lenders (25 per cent of all loans) and are close to the top in foreign currency lending.[43] In the process, Japan has become an increasingly major source of funds for the two most important financial instrumentalities of the Western political economy: the World Bank and the International Monetary Fund (IMF). It has also substantially expanded its lending and investment activities in Latin America, carrying with it the power to pressure the region to increase its purchases of Japanese goods, thereby threatening a new challenge to traditional US markets.[44]

In 1985, Japan became the world's largest creditor nation based on net overseas assets of $130 billion; by 1987, this figure exceeded $220 billion.[45] Paralleling Japan's rise as the global lending powerhouse has been the transformation of the USA from the world's biggest creditor to biggest debtor country. In 1985, foreign claims on US assets (direct investments, stocks, bonds, other financial instruments) exceeded similar US claims by approximately $110 billion; one year later, this American foreign debt had risen to almost $264 billion.[46] The global power of the dollar has also slipped dramatically. Since the early 1970s, the number of Third World countries that peg their currencies to the US dollar has fallen from three-fifths to one quarter. Over the same period, the dollar's share

of the world's foreign exchange reserves has fallen from over 80 per cent to less than 60 per cent while the Deutschmark has risen from 2 per cent to 14 per cent and the yen from almost zero to 7 per cent.[47]

Heading into the 1990s, the internal composition of the US imperial state has become increasingly skewed toward the military-intelligence side of operations in contrast to competitor imperial states such as Japan and West Germany that continue to accord priority to economic activities and the requirements of capital and commerce (services, promotions, subsidies, and so on) for entry into new markets or expansion into existing ones. The relationship between the US imperial state and capital has steadily deteriorated in the 1980s, due largely to the former's exaggerated preoccupation with politico-military enterprises (for example, funding contra movements in Asia, Africa and Latin America) at the expense of its economic agencies. Put another way, the overdevelopment of the military-intelligence arm of the imperial state means that the capacity of the latter to provide economic services for overseas American capital is consistently shrinking.

Under Reagan, the gap between the needs of overseas capital and the operations of the imperial state widened significantly. While rhetoric about the virtues of capitalist enterprise flourished under this administration, the priority concerns (manifested through state action at the international level) focused on increasing the state's military capacities, political intervention and ideological alignments. Such activities have often had devastating consequences for overseas investors and traders, destabilized political systems, provoked a hostile environment for investors, disrupted markets and led to capital flight. The massive Reagan military-ideological-clandestine offensive in Central America is a case in point: the region's economies are at a standstill due to declining terms of trade, a rising foreign debt, billions of dollars in capital flight, falling investments, and huge non-productive spending by US client regimes. The region's GDP grew at an average annual rate of less than 1 per cent between 1980 and 1985. During the same period, regional investment declined by 27 per cent and the region's imports plummeted by 28 per cent.[48]

While the gap between the functioning of the US imperial state and the needs of US capital widened during the Reagan presidency, in competitor capitalist countries the integration between state and capital deepened, the interlocking became more pronounced. While the US merchandise trade deficit increased from $27.9 billion in 1981 to an all time high of $124.4 billion in 1984,[49] the formulation and implementation of long-term, comprehensive export strategies enabled Japan and West Germany to record substantial trade surpluses during the 1980s – in large part at Washington's expense. US–Japanese two-way trade, for

instance, increased by $61 billion between 1980 and 1986, but $53 billion of this amount consisted of Japanese exports to the United States.[50] Also revealing is West Germany's record global trade surplus of $45.7 billion between September 1985 and September 1986, because during 1986 it achieved a $15–16 billion trade surplus with the United States.[51]

Meanwhile, Reagan imperial state officials remained preoccupied with diverting time, expertise and massive financial resources into sustaining military-dominated regimes and large-scale counter-terrorist activities throughout the Third World. In Central America, more than $1 billion in official military assistance to corrupt and autocratic regimes has been augmented by the provision of hundreds of millions of dollars for the establishment of a permanent US military presence in Honduras, and the channelling of additional hundreds of millions of dollars (overtly and covertly) to fund the contra war against Nicaragua.[52] In South Asia, covert military aid to the Afghan rebels between 1984 and 1986 totalled almost $900 million, with a further $630 million projected for 1987.[53] In southern Africa, the Reagan administration began shipping $15 million worth of sophisticated weapons, including several hundred stinger missiles, to Jonas Savimbi's Pretoria-supported UNITA forces in Angola in March 1986 as part of a concerted effort to destabilize that country's established and internationally recognized government.[54] Amidst these military-clandestine-terrorist initiatives, the US multi-billion trade deficit continued to soar and US export markets in the debt-ridden Third World to contract at an accelerated rate. But the Reaganites' only response to these crises reflected its order of priorities: instead of reactivating the economic agencies of the imperial state, improvised proposals such as the Baker Plan were periodically floated as long-term solutions to the deepening Third World debt crisis.[55]

Left to their own devices, US overseas capital has been no match for its most formidable competitors. Rearguard action such as US exporters denouncing 'unfair competition' based on strong state backing for West European and Japanese traders thus became the order of the day. Unable to gain new markets abroad, they have sought to defend existing markets at home through resort to protectionism. The rise of protectionist rhetoric is, above all, symptomatic of the declining competitiveness of US capital and the declining overseas capacity of the economic agencies of the US imperial state. Nothing is more indicative of the rapid decline of the US imperial state as an agency of international capital than the proliferating appeals to Congress to protect local markets. In the heyday of American overseas expansion, when the economic agencies of the imperial state were promoting capital and commerce in every corner of the globe, free trade was the battle cry of an ascending empire of multinational corporations.

Today, the Reaganites' free trade exhortations ring hollow as every major US industry from automobiles to machine tools to computers to semiconductors has lost crucial market shares to West European and Japanese competitors. The administration's statist protectionism and military Keynesianism at home is nothing but the counterpart to a militarized and ineffective imperial state abroad.

As presently constituted, the US imperial state apparatus represents a liability, not an asset, to the expansion of capital. From a narrow cost-benefit analysis, the financial allocations to sustain the overblown military structures far exceed the economic opportunities that are created. Even if cost/benefits are only examined from the point of view of the narrower interests of corporate capitalism, the huge budget deficits ($221 billion in fiscal year 1986)[56] resulting from skyrocketing military expenditures have set in motion long-term economic forces that work against the reproduction of capital. The broader effects of the overdevelopment of the military components of the imperial state are found in the political-social-economic environment for US investment and trade that results from global interventionist policies. Central America has experienced a major decline in trade and massive capital flight with no foreseeable economic recovery as a result of the ascendancy of imperial ideologues, intelligence operatives and counter-insurgency strategists. The Persian Gulf has become a war zone for large-scale, costly US military maneuvers in place of previously profitable economic endeavors. Symbolic of the change, Japanese and European vessels engage in trade while Washington spends millions of dollars in order that the US Navy can patrol the area and protect oil shipments that probably benefit Japan (specifically, its industrial sector) more than any other country.[57] In southern Africa, the US imperial state exhibits a primary commitment to destabilizing regimes, notably through its funding of the Savimbi-led UNITA contra forces in Angola. Meanwhile, other Western imperial states develop lucrative economic relations with area regimes. In Asia, the central preoccupation of the Reaganites has been with promoting the military activities of the Afghan rebels and the genocidal Pol Pot forces in Cambodia. In the process, American investors and traders have lost major traditional markets, especially in South Asia, to Japan, South Korea and Hong Kong.

The irony is that the self-styled promoters of free markets in Washington – the Reagan administration – failed to take advantage of the market liberalization processes that have occurred throughout the Third World and the Soviet bloc during the 1980s. The major beneficiaries have been Washington's major economic competitors within the capitalist world, and they remain in the best position to continue to take advantage of further market openings around the globe.

The growth of the imperial state during the Reagan years was not accompanied by the reconstruction of US global hegemony or domination. The reasons for this are twofold: the sectors of the state which have absorbed the bulk of the resources have not been linked to constructing dynamic economic institutions and the concomitant social relations which form the basis for the consolidation of a hegemonic position. Secondly, the growth of the state has not been accompanied by a new wave of outwardly oriented investment capital. On the contrary, the state expansion took place in a period of world capitalist recession and the rise (and demise) of speculative capital.

What can we expect to happen to an over-expanded international state apparatus which is increasingly counter-productive to the growth of international capital? We would expect strong pressures to renegotiate its breath and scope, its recomposition to meet the economic competition and/or demands of international capital. But that implies a political leadership with a large imperial vision capable of transcending localized conflicts and conjunctural military pressure emanating from the right-wing ideologues infesting senior governmental ranks. No such leadership exists. No major reforms within the imperial state are on the agenda. But economic pressures persist, competition continues apace and the US economy pursues its slide. Between the pressures stemming from the crises of the hegemonic state and absence of political leadership, we can expect marginal shifts in policy: limited arms agreements with the Soviets, caps on military spending, economic summit meetings and improvised debt agreements accompanied by SDI programs, intensified pressure on the dollar, loss of overseas markets, a likely financial crash, and continued military intervention and funding of surrogate wars in the Third World. Marginal shifts in policy toward reforming the state and restructuring capital will not, however, reverse the historical downward drift of US capital in the world economy.

The imperial state which was fashioned to promote domestic capital in pursuit of overseas markets and profits has become an albatross undermining overseas opportunities and increasing domestic costs. The final irony: the very imperial state evoked to save capitalism becomes its gravedigger.

Can US Imperial Decline Be Reversed?

By any standard measure or relevant index, US imperial capital has lost power in the world economy: its share of global trade and investment has declined over the past thirty years, leading to the transformation of the USA from the world's largest creditor to that of debtor accumulating

unprecedented budget and trade deficits. The imperial state has hardly fared better: the much vaunted Reagan military buildup has not bankrupted the Soviet economy or achieved its primary stated objective of global military superiority over the Soviet Union. It is probably safe to conclude that Washington will never be able to exercise the kind of power it wielded during the first decade after World War Two. Although its early publicists envisioned an 'American Century', Pax Americana has turned out to be one of the shortest-lived global empires in recent centuries. Given that such a US monopoly of power is no longer a realistic possibility, are there policy options available to imperial policymakers which can reverse the downward slide of the USA toward a level of mediocrity that characterizes the current British economy? Theoretically, a combination of three levels of reform and restructuring could serve to expand US hegemonic influence.

First, it would require a restructuring of the imperial state in the direction of expanding and upgrading its economic agencies relative to the ossified, overstaffed, and non-productive ideological-military apparatus. This would necessitate the wholesale replacement of several layers of bureaucratic officials (with little, if any, enterprise responsibilities) by technocratic and entrepreneurial cadres who have the expertise to link state programs to overseas investors.

Second, there would be a need to restructure US capital toward productive activity and away from its preoccupation with financial, speculative and real estate dealings. This could only be achieved through large-scale, long-term state regulation and intervention and a willingness to discipline capital. Such an approach would involve restrictions on mergers, currency speculation, and so on, on the one hand, and state structured planning of public and private investment in research and development for export markets, on the other. This would, in turn, require a shift in the education and training of business school and engineering graduates from a concern with 'making money' to a concern with 'making goods'.

Third, the imperial state reformers would have to increase and deepen the linkages between the economic agencies and productive capital. Such an outcome would depend on the ability to further marginalize the inputs of Congress and extra-parliamentary groups, and on a much greater interlocking between industrial capital and the imperial state agencies than presently exists.

These moves to reform the imperial state and restructure capital will unquestionably provoke massive resistance from within the imperial state and the influential higher circles of financial capital – an opposition that, given the current configuration of political forces, is likely to prove

insurmountable. The imperial ideologues and their military counterparts' first line of defense will almost certainly be a resort to 'national security', based on assertions about rising terrorism, untrustworthy Soviets, contra military victories, and the like. However, while it would be folly to underestimate the strength of the state ideologues, especially in the context of a complicit mass media always ready to uncritically amplify official propaganda as statements of fact, their position in the imperial system is vulnerable on a number of grounds. First, it is becoming increasingly transparent to some influential sectors of American business that the US economic decline is directly linked to the dominant policy roles played by the ideologues and the military strategists. The Ollie Norths, Elliot Abrams and other clandestine conspirators within the imperial state are on the extreme fringes of concern to the vast body of manufacturing exporters and financial institutions with trade deficits and unpayable Third World debts.

Second, the military strategy has proven ineffective on its own terms. As a result, the general public that was promised the mirage of becoming 'Number One' again – and drawn into the arms buildup under the illusion that the boom times of the 1950s and 1960s would be recreated – has become disillusioned with massive defense outlays. Confronted with the choice of increased military spending and social sector cuts or a reduction in the military program to protect the 'social net', public opinion is now overwhelmingly in favor of the latter. Third, the Soviet peace initiatives under Gorbachev have contributed mightily to the plummeting popular appeal of the state ideologues and the Pentagon militarists, reducing their base of support to a hard core of committed extremists (and the mass media). Finally, the evolution of economic policy in Third World revolutionary countries (mixed public and private, market liberalization, and so on) represents an opportunity, not a threat, to the USA, demonstrating that capitalist countries can link up 'down the road' with the technological and investment needs of these less developed countries.

In summary, while the ideologues and military expansionists are firmly entrenched in the imperial state bureaucracy, their defense of power based on appeals to 'national security' is hardly insurmountable. More importantly, their assumption and exercise of power comes into conflict with the basic needs of capitalist reform and restructuring of the imperial state.

At the same time, an even more fundamental requirement for reestablishing hegemony than reform of the imperial state is the need to restructure capital from financial to productive. Here the obstacles are perhaps most formidable. Financial capital in today's USA includes the largest and most influential sectors of the corporate community whose

'reach' extends into the government, media and cultural organs of the society. Any thoroughgoing policy of state regulation will inevitably be portrayed as contravening the basic rules governing the operations of private capitalism in the domestic economy.

To counter the resistance of financial capital, those reformers intent on promoting an imperial revival could offer a threefold response: state policy is not anti-capitalist but simply a different style of capitalist development (thus disarming charges of 'subversion'); financial capital is undermining America's global position and relegating productive capital to a subordinate role within the US economy; and, most pointedly, financial capital is leading the USA to an economic crash for which Black October 1987 was only a dress rehearsal.

Clearly, the ideologue-military-financial power bloc became more vulnerable to attack during the second Reagan administration and there is every likelihood that this trend will accelerate, especially if another economic collapse occurs. Yet, the possibility of realizing reforms and reconstructing US hegemonic power is still remote precisely because there is an absence of any organized constituency in the USA today capable of challenging the dominant power bloc. Democrats and Republicans, liberals and conservatives, all share the same basic outlook and none has demonstrated the least inclination to reform the imperial state or restructure capital. US imperialism lacks the political leadership of a Gorbachev who could begin the process of establishing a 'foundation' for the renewal of imperial power. Without political leadership and a coherent, organized constituency, there can only be changes at the margins (limited arms agreements), ad hoc economic strategies (Baker Plans) and the recurring resort to military force in peripheral areas of the world. In the meantime, the US economic position in the capitalist world continues its downward drift.

Notes

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2. See Morris H. Morley, *Imperial State and Revolution: The United States and Cuba, 1952–1986* (New York and London: Cambridge University Press), 1987.

3. See Piero Gleijeses, *The Dominican Crisis* (Baltimore and London: The John Hopkins University Press), 1978; Fred Goff and Michael Locker, 'The Violence of Domination: US Power and the Dominican Republic', in Irving, Louis, Horowitz et al., eds, *Latin American Radicalism* (New York: Vintage Books), 1969, pp. 249–91.

4. See Barnet and Muller, *Global Reach*, pp. 16–17.

5. See, for example, Richard Barnet, *The Roots of War: Men and Institutions in US Foreign Policy* (New York: Atheneum Books), 1971, pp. 76–133; Seymour Melman, *The Permanent War Economy* (New York: Simon & Schuster), 1974.

6. See Barnet and Muller, *Global Reach*; also Vernon, *Sovereignty at Bay*.

7. David C. Morrison, 'Downhill Slide', *National Journal*, Vol. 19, No. 8, 21 February 1987, pp. 421, 414.

8. 'Military Buildown', *National Journal*, Vol. 19, Nos. 51–2, 19 December 1987, p. 3192.

9. See Jonathan Rauch, 'After the Boom', *National Journal*, Vol. 19, Nos. 51–2, 19 December 1987, p. 3194.

10. Ann Markusen, 'The Militarized Economy', *World Policy Journal*, Vol. III, No. 3, Summer 1986, p. 499. Also see Fred Hiatt, 'US Builds 3rd World Arms Role', *Washington Post*, 10 June 1984, pp. A1, A19.

11. Morrison, 'Downhill Slide', p. 414.

12. See Patrick E. Tyler and David B. Ottaway, 'Casey Strengthens Role Under "Reagan Doctrine"', *Washington Post*, 31 March 1986, p. A14.

13. Bob Woodward, *Veil: The Secret Wars of the CIA 1981–1987* (New York: Simon & Schuster), 1987, p. 386.

14. See 'America's Secret Warriors', *Newsweek*, 10 October 1983, p. 39.

15. Tyler and Ottaway, 'Casey Strengthens Role Under "Reagan Doctrine"', p. A14.

16. See Patrick E. Tyler and David B. Ottaway, 'Reagan's Secret Little Wars', *Washington Post National Weekly Edition*, 31 March 1986, p. 6.

17. See I.M. Destler et al., *Managing an Alliance: The Politics of US–Japanese Relations* (Washington, DC: The Brookings Institution), 1976, pp. 50–51.

18. William E. Bryant, *Japanese Private Economic Diplomacy: An Analysis of Business-Government Linkages* (New York: Praeger Publishers), 1975, p. 4; for a discussion of state-capital linkages, see also pp. 14–37, 50–63.

19. See Destler, *Managing an Alliance*, p. 70.

20. The 1980 overall trade figure was calculated on the basis of trade figures provided by the US Department of Commerce, International Trade Division, Office of East-West Policy and Planning. On the Soviet-West German natural gas transaction, see Bradley Graham, 'Bonn, Moscow Sign Major Gas Agreement', *Washington Post*, 21 November 1981, pp. A1, A28. On allied resistance to Soviet pipeline sanctions, see Bruce W. Jentleson, *Pipeline Politics* (Ithaca and London: Cornell University Press), 1986, pp. 172–214; Gary Clyde Hufbauer and Jeffrey J. Schott, *Economic Sanctions Reconsidered: History and Current Policy* (Washington, DC: Institute for International Economics), 1985, pp. 696–711; Angela E. Stent, *Soviet Energy and Western Europe* (New York: Praeger Publishers), 1982, pp. 60–96.

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22. James M. Markham, 'Europe Has Its Reasons for Turning the Other Cheek', *New York Times*, 12 January 1986, p. E1.

23. See 'Allies Are Cool to Reagan's Sanctions', *New York Times*, 8 January 1981, p. 6; Clyde Haberman, 'Tokyo Bars Sanctions Against Iranians', *New York Times*, 9 January 1986, p. 6.

24. Quoted in Richard Halloran, 'Arms Buildup: Allies Hesitant', *New York Times*, 27 March 1981, p. 7.

25. Quoted in George Wilson, 'US Urges Allies to Aid in Defense of Persian Gulf', *Washington Post*, 23 October 1981, p. A26.

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27. See Paul Sweezy and Harry Magdoff, 'The Logic of Stagnation', *Monthly Review*, Vol. 38, No. 5, October 1986, pp. 9–11, 15–17.

28. Timothy B. Clark, 'Tackling the Debt Crisis', *National Journal*, Vol. 18, No. 32, 9 August 1986, p. 1934. Also see Michael Moffitt, 'Shocks, Deadlocks, and Scorched Earth: Reaganomics and the Decline of US Hegemony', *World Policy Journal*, Vol. IV, No. 4, Fall 1987, p. 570.

29. Stuart Auerbach and Peter Behr, 'American Faces a Rude Awakening', *Washington Post National Weekly Edition*, 4 May 1987, p. 6.

30. Thomas Ferguson and Joel Rogers, *Right Turn: The Decline of The Democrats and the Future of American Politics* (New York: Hill and Wang), 1986, p. 81.

31. See Ronald A. Morse, 'Japan's Drive To Pre-Eminence', *Foreign Policy*, No. 69, Winter 1987–88, p. 5; Bruce Stokes, 'Facing Up to Germany', *National Journal*, Vol. 18, No. 48, 29 November 1986, p. 2892.

32. See Nayan Chanda, 'Clouds Over the Rising Sun', *Far Eastern Economic Review*, 5 November 1987, p. 37.

33. See 'Making Brawn Work With Brains', *Business Week*, 20 April 1987, p. 58.

34. Ibid., p. 56.

35. See 'Japan's Latest Triumph: Hurdling The High Yen', *Business Week*, 18 January 1988, p. 40.

36. 'Japan's Investment Binge in Southeast Asia', *Business Week*, 3 November 1986, p. 42.

37. See Ibid., p. 43.

38. Chanda, 'Clouds Over the Rising Sun', p. 38.

39. Stokes, 'Facing Up to Germany', p. 2892.

40. Bruce Stokes, 'Foreign Owners', *National Journal*, Vol. 19, No. 38, 19 September 1987, p. 2334.

41. See Louis Uchitelle, 'When the World Lacks a Leader', *New York Times*, 31 January 1988, p. 6F; 'The Tidal Wave That's Sweeping International Finance', *Business Week*, 13 July 1987, pp. 56–7; Martin Mayer, 'Japan Roils The Markets', *New York Times Magazine*, Part 2 ('The Business World'), 20 September 1987, pp. 18–21, 42–3.

42. Richard Holloway, 'Awaiting the Second Tusunami', *Far Eastern Economic Review*, 17 December 1987, p. 60.

43. See Bruce Stokes, 'Banking on the Future', *National Journal*, Vol. 20, No. 5, 30 January 1988, p. 248.

44. See Louis Uchitelle, 'When the World Lacks a Leader', p. 1F.

45. Ibid., p. 6F; 'Japan Still the World's Top Creditor', *Washington Post*, 27 May 1987, p. E3; 'Looking Beyond America's Means', *The Economist*, 19 September 1987, p. 76.

46. 'Washington Learns the Hard Way . . . That Its Policy has Global Impact', *National Journal*, Vol. 18, No. 50, 13 December 1986, pp. 2992–3; Stuart Auerbach, 'Debt Skyrockets to $263.6 Billion', *Washington Post*, 24 June 1987, p. B1.

47. 'Looking Beyond America's Means', p. 76.

48. 'Central American Economies at a Standstill', *Central America Report*, Vol. XIII, No. 36, 19 September 1986, p. 283.

49. 'Washington Learns the Hard Way . . . That Its Policy has Global Impact', pp. 2992–3.

50. Morse, 'Japan's Drive To Pre-Eminence', p. 20.

51. Stokes, 'Facing Up to Germany', p. 2892.

52. See Morris H. Morley and James F. Petras, 'The Reagan Administration and Nicaragua: How Washington Constructs its Case for Counterrevolution in Central America', in Morris H. Morley, ed., *Crisis and Confrontation: Ronald Reagan's Foreign Policy* (New Jersey: Rowman & Littlefield), 1988.

53. 'Contra Aid and the Reagan Doctrine', *Congressional Research Service Review*, Vol. 8, No. 3, March 1987, p. 3; Leslie H. Gelb, 'US Aides Put '85 Arms Supplies To Afghan Rebels at $280 Million', *New York Times*, 28 November 1984, p. 1.

54. David B. Ottaway and Patrick E. Tyler, 'US Sends New Arms To Rebels', *Washington Post*, 30 March 1986, pp. A1, A16.

55. The so-called Baker Plan, announced by the Reagan administration in October 1985, urged greater World Bank and private commercial bank lending to Third World debtor countries in return for 'structural adjustments' – privatizing state enterprises, new 'openings' to foreign investment, eased regulations on private banks, and so on – acceptable to the IMF. See 'Baker Plan is no Bargain', *Washington Report on the*

Hemisphere, Vol. 6, No. 10, 19 February 1986, p. 3; Moffitt, 'Shocks, Deadlocks, and Scorched Earth: Reaganomics and the Decline of US Hegemony', p. 571.

56. Bruce Stokes, 'The Foreign-Debt Trap', *National Journal*, Vol. 19, No. 35, 29 August 1987, p. 2152.

57. On the cost of US naval operations in the Persian Gulf, see Richard Halloran, 'What Price US Patrols in the Gulf?' *New York Times*, 21 February 1988, p. 2E.

3

Nuclear War and US–Third World Relations: The Neglected Dimension

The subjects of nuclear warfare, the nuclear arms buildup, and the possibility of nuclear confrontation have become a major preoccupation of writers on international conflict. Part of the debate has centered on identifying the possible catalysts. Those deemed most likely to precipitate nuclear warfare or those appearing most frequently in the literature are:

1. accident, error, or equipment malfunction or system failure;
2. the actions of a 'rogue general', or irrational behavior by those in control of nuclear weapons;
3. miscalculations. A conventional war could escalate if one government underestimates the other side's willingness to use nuclear weapons and, thus, deploy them; or one combatant may experience 'wishful thinking or exaggerated fears', either of which could 'distort the assessment of risks in a crisis'[1] and lead to a nuclear response;
4. the unintended consequences of a continuing military buildup by the superpowers;
5. a 'bolt-from-the-blue' pre-emptive first strike by one superpower on the nuclear arsenal of the other to minimize losses from an attack by the other. Discussion of this possible action usually is premised on the belief that a political conflict can be resolved only by military means and that a surprise nuclear offensive is better than waiting for the inevitable strike by an opponent;

6. technological developments that have shortened the time nuclear weapons take to reach their targets or the time required to deploy new nuclear weapons;

7. either deliberate or unintended consequences of actions by third parties that lead to superpower involvement. A third party may pursue an objective involving the use of nuclear weapons, or seek a goal by non-nuclear means that produces a sequence of events leading to nuclear war involving the superpowers, or simply create an accident;

8. nuclear proliferation, especially in the Third World, may increase the likelihood of nuclear war involving the two superpowers.[2]

The literature on nuclear war also addresses the question of where such a conflict is most likely to occur. And with great regularity, explicitly and implicitly, the site is posited as somewhere in Europe. The escalation of conventional military struggle into nuclear conflict will inevitably culminate in an American-Soviet confrontation on European territory. Among the reasons proposed to account for this Eurocentric bias are the following:

1. the site and proximity of NATO and Warsaw-Pact troops means there is 'always some danger of military accident, mistake or miscalculation'[3] that could lead to full-scale nuclear war in Europe;

2. the 'offensive' character of superpower military deployments on European soil increases the likelihood of nuclear conflict;

3. it is presumed that the site of the largest stockpiling of the superpowers' military and strategic firepower will automatically become the main battlefield in the event of an outbreak of nuclear hostilities in any part of the globe.

In the opinion of a number of writers, Europe has become *the* theater of any future nuclear apocalypse.[4]

The post-war record regarding the near use of nuclear weapons and the initiation of nuclear war, however, does not support these speculations about the site of the greatest threat of nuclear conflict. Although Europe has been the locus of numerous ideological conflicts and geopolitical skirmishes since the 1950s, the major military confrontations that have involved serious consideration of the use of nuclear weapons have taken place outside of Europe, namely in Asia and Latin America. What the public record shows is that while many nuclear weapons may be *located* and *manufactured* in the USA and Europe, the activation of nuclear

weapons is just as, if not more, likely to take place within the Third World.

The following case studies focus on a neglected area of investigation in the literature on nuclear warfare: practically every American nuclear threat during the 1950s, 1960s and 1970s has been related to conflicts in the Third World and has been linked to US opposition to the forces of national and social liberation. These studies illustrate a direct relationship between the US threat to use nuclear weapons and national class struggles in the Third World. They underscore the extent to which nuclear weapons have become an important reference point for successive American administrations – Republican and Democrat, conservative and liberal – in their efforts to gain or reassert US hegemony in the Third World as part of a broader attempt to sustain or re-establish US global hegemony. In the hands of American policymakers, nuclear weapons have become not a cause of war, but an instrument for imposing or reimposing US hegemonic power in the periphery. Washington's hegemonic ambitions, not its ownership of nuclear weapons, has been, and remains, the real breeding ground for nuclear confrontation and nuclear holocaust.

The traditional arguments about nuclear war in Europe based on the site of armaments simply confuse the discussion. Moreover, to focus the discussion on superpower interactions and great-power competition and confrontation distorts the record: nuclear warfare or the threat of it, we argue, is less likely to emerge out of power struggles or accidents or miscalculations, and so on, between the world's dominant states than it is likely to grow out of conflicts between dominant capitalist states and national and social liberation movements in the Third World.

Our general hypothesis is that the overt threat to engage in nuclear war is an extension of politics – imperial politics which basically involve Western hegemonic countries, specifically the USA, in wars of intervention in the Third World. We hypothesize that in countries targeted as strategic to a region, where high levels of class and national conflict between Third World revolutionaries and Western imperial countries is leading to a military-political defeat for the latter, Washington is likely to shift from conventional arms to serious consideration of the use of nuclear weapons.

We have chosen to analyze four case studies of international conflict that possess the identifiable attributes to test our hypothesis for the following reasons:

1. they are examples of high-intensity conflict between the West and Third World revolutionaries;

2. the conflicts were perceived by imperial policymakers as having strategic regional importance;
3. the revolutionary movements were in the process of defeating the imperial powers in conventional warfare;
4. the nuclear option was available to the Western countries.

Specifically we have chosen: (1) the US intervention in the Korean civil war (1950–1954); (2) the Indochina–France–USA conflict (1945–1954); (3) the US–Cuban conflict (1959–1962); (4) the Vietnam war (1965–1974). All of these conflicts fit the four criteria we have mentioned above and provide an historical basis for examining the relationship between nuclear war and Third World revolution.

The Korean War

The origins of the post-1950 Korean conflict are found in the period of the American occupation and Washington's determination to oppose revolutionary nationalism and ensure the long-term hegemony of the political right in the southern part of the country.

In the weeks between the liberation from Japanese colonial rule and a full-scale American occupation in September 1945, Korea was on the verge of revolutionary upheaval as political parties, 'people's committees', labor unions, peasant organizations and other groups mobilized to press for large-scale structural changes in the society, polity, and economy. Their demands found expression in an emerging civil conflict that was suffused with revolutionary nationalism and featured peasant rebellion, labor struggles, guerrilla warfare and open military confrontation. 'The Korean peninsula was ripe for revolution in 1945', writes Bruce Cumings in his masterly study of the origins of the Korean war:

> Even if the Soviets and Americans had not entered Korea, revolution would have overtaken the country in a matter of months. Korea had Asia's oldest communist movement, with a plethora of experienced leaders. And land conditions and relationships, especially in the south, augured revolution.[5]

Having designated this region as a key spoke in the post-war US global strategic network that Washington desired to construct, the Roosevelt-Truman administrations refused to countenance any movement of South Korea out of the anti-communist world political economy. Between September and December 1945, American occupation officials and

their local collaborators pursued this objective with a vengeance: they established coercive and bureaucratic state structures to simultaneously destroy the mass revolutionary movement and lay the foundations for the ascendancy of rightist policies and a stable American client in a newly created Republic of Korea. The 'nationbuilding' exercise culminated in the establishment of a southern government under the rightist authoritarian leadership of Syngman Rhee who, between 1947 and 1949, inflicted major military defeats on the mass movement and on indigenous guerrilla struggle, producing the transition to a more conventional military conflict involving the People's Republic of Korea – a continuation of the revolutionary nationalist struggle begun in 1945.[6]

In the first instance the revolutionary armies from the 'north' overwhelmed the corrupt Rhee regime. Faced with the demise of its client Washington intervened (using the United Nations as a facade) and drove toward the Chinese border. The entry of China's revolutionary army turned the tide once again against the West. In this context where the USA was heavily involved in a civil war in an area it defined as strategic to 'all of Asia', but was not able to win with conventional weapons, policymakers turned to serious consideration of the use of nuclear weaponry.

Although the Pentagon began planning for the possible use of nuclear weapons as soon as the Korean war began, and continued to produce studies of the circumstances under which these armaments might be activated,[7] the issue was not publicly broached by the White House until China entered the conflict in November 1950. Responding to a question at a news conference later that month, President Truman acknowledged that use of the atomic bomb in Korea had been under active consideration for some time, and he refused to deny categorically that the USA would not resort to atomic weapons. Privately, he began contemplating their use to get the 'Chinamen' out of Korea.[8] During September–October 1951, the US Army, with White House approval, carried out 'Operation Hudson Harbor', which involved a number of simulated atomic strikes in Korea in support of ground offensives by American and United Nations troops.[9] In April 1952, as the administration expressed increasing concern that North Korea and China were footdragging in negotiations, the Joint Chiefs of Staff Planning Committee recommended that additional military actions, including the 'tactical use of atomic weapons', should be examined with a view to forcing the communists to agree to a settlement.[10]

Eisenhower entered the White House in January 1953 determined to end the conflict, which had dissolved into a political and military stalemate and, like Truman, he was more than willing to use atomic diplomacy against North Korea, Manchuria, and China to pressure

acceptance of Washington's terms for a final settlement. Convinced that Pyongyang and Beijing were deliberately stalling at the negotiating table, the new President initially decided to resort to a strategy of threatening massive retaliation (including the large-scale use of atomic warheads) to gain his objective. The White House announced its intention to dramatically widen the conflict beyond the Korean peninsula 'without inhibition in our use of weapons' if the communists refused to accept the US negotiating terms and sign an armistice.[11]

During National Security Council (NSC) meetings in February and March 1953, President Eisenhower and Secretary of State John Foster Dulles each raised the possibility of using atomic bombs in Korea. At one special NSC meeting at the end of March, the President made the point that, even in the absence of 'many good tactical targets', the application of such weapons would be worth the cost if it produced a 'substantial victory' and enabled the US to reach 'a line at the waist of Korea'. The minutes of this meeting also show that Eisenhower and Dulles 'were in complete agreement that somehow or other the tabu which surrounds the use of atomic weapons would have to be destroyed'. In mid May, the NSC discussed a number of options for ending restraints on current US military action in Korea, including a repeal of the ban on bombing raids against China and the unleashing of greater American air power on North Korea. The President told the assembled officials that it might be more cost-effective 'to use atomic weapons in Korea than to continue to use conventional weapons . . .' His major concern about using atomic bombs and widening the scope of US military targets, however, was that they might produce a Soviet response. Responding to a Joint Chiefs of Staff belief that 'more positive [military] action' would necessarily mean expanding the war beyond the confines of Korea and using the atomic bomb, Eisenhower told an NSC meeting on 20 May that 'his only real worry' about pursuing this course of action was 'the possibility of intervention by the Soviets'.[12] At the same time, the consensus of the meeting was that the Joint Chiefs' recommendations in the event of an expansion of US military involvement in Korea, that included the 'large-scale' use of atomic weapons, were 'most likely to achieve the objectives we sought'.[13]

In the spring of 1953, the armistice talks broke down and, in the weeks that followed, US officials publicly and privately threatened to expand the war and to use atomic weapons against not only Korea but also major Chinese population centers. The chief United Nations negotiator at Panmunjom, American General Mark Clark, was instructed by Washington to end the truce talks altogether 'and to carry on the war in new ways never yet tried in Korea' if the communists turned down the final allied prisoner-of-war proposals and

offered none of their own.[14] Around the same time, in late May 1953, Secretary of State Dulles told the Indian Prime Minister Nehru that, 'if the war continued, the US would lift the self-imposed restrictions on its actions to hold back no effort or weapon to win'.[15] Recalling the Dulles–Nehru meeting, then Vice-President Richard Nixon stated that Dulles told the Indian leader that 'unless the logjam is broken it will lead to the use of nuclear weapons'.[16] During the spring, Washington not too subtly transmitted its intentions to China when it placed missiles with atomic warheads in Okinawa.[17] Speaking of the armistice that was eventually signed on 27 July 1953, President Eisenhower attributed the cessation of hostilities overwhelmingly to the communists' fear of atomic warfare. 'We told them,' he remarked to White House aide Sherman Adams, 'that we could not hold it to a limited war any longer if the communists welched on a treaty of truce. They didn't want a full-scale war or an atomic attack. That kept them under some control.'[18]

Meanwhile, the administration continued planning for a nuclear response, should the armistice break down. A report of any early December 1953 National Security Council meeting reveals that the White House was prepared to use nuclear weapons if that was the only alternative to another long drawn-out period of military hostilities in Korea. But alarmed by Joint Chiefs of Staff Chairman Admiral Radford's contention that a new round of fighting would almost certainly involve war with China, Secretary of State Dulles replied that his Department supported only a future nuclear attack that would be limited to North Korea and to proximate military targets. In early January 1954, State and the Joint Chiefs resolved their differences, agreeing that if hostilities resumed the USA should use atomic weapons against military targets in Korea 'and against those military targets in Manchuria and China which are being used by the communists in direct support of their operations in Korea . . .'[19]

As Rosemary Foot's study of the Korean war demonstrates, both Truman and Eisenhower seriously contemplated widening the conflict to include direct strikes against China. The USA came extraordinarily close to launching atomic weapons against North Korea and China. Regarding the question of whether Eisenhower would have actually authorized an atomic attack to produce a settlement if all other means had failed, she concludes that 'there is now extensive documentary evidence to show that the use of atomic weapons became an integral part of the planning designed to force a military solution in Korea.'[20] Clearly, in this particular case, the threat of nuclear war caused tremors in Washington, Pyongyang and Beijing, but not Paris, London, Warsaw or Moscow.

The Indo-China Conflict

The Vietnam revolution began in a colonial setting under the aegis of the Vietnamese Communist Party that initially recruited its membership largely in the urban areas of Saigon and outlying centres of imperial mining and plantation activity. The growth and expansion of communist influence in the 1930s coincided with the expansion of the class struggle in Vietnam. From a movement of class mobilization there emerged a mass mobilization involving small producers, traders, school teachers and civil servants, but one in which the urban and rural working class, through the Communist Party, continued to play the decisive role in determining the political direction of the social struggle against intervening imperial states and their local collaborators.[21]

In the pre-World War Two period, the dominant states within the reconstructed capitalist world moved rapidly to recreate the conditions for imperial expansion in the Third World. French imperialism in Indo-China, based on economic exploitation in the agricultural and mining sectors, was in decline. The new antagonists of Vietnam's revolutionary movement were Japanese imperialists who, in the process of fueling Japan's continental expansion, exploited and uprooted the bulk of Vietnam's petty commodity producers. Largely unaffected by the French, these groups soon became incorporated into a new form of political organization created by the Vietnamese Communist Party – the Vietminh. The revolution now assumed a genuine national character, but still under the leadership of the original Communist Party nucleus. The defeat of Japanese imperialism and the reinsertion of French imperialism precipitated a renewal of the national class conflict, and efforts by the European colonial power to transform the struggle into a civil war largely failed precisely because of the numerical strength and political-military organization of the Communist Party.[22]

The inexorable growth of the revolutionary movement and the imminent defeat of French imperialism led Washington to escalate its military and economic aid to the French colonial forces in Indo-China and American policymakers now described the area as having great strategic importance to the whole of Southeast Asia. Conventional warfare, however, failed to stem the growth of nationalist communist power. But Washington also possessed nuclear weapons and its increasing identification with the cause of French imperialism eventually led to consideration of the use of atomic bombs to secure an allied victory.

Both Truman and Eisenhower agreed that 'the enemy wore a single face in Korea and Indo-China, and had to be countered with substantial American help'.[23] The Eisenhower administration became preoccupied with the vulnerability of the whole region to communist control if Indo-

China should fall. The 'domino principle' was identified 'in its purest form' with Southeast Asia. Furthermore, according to the last National Security Council (NSC) paper approved before the fall of Dien Bien Phu, the loss of Indo-China would also 'have the most serious repercussions on US and free world interests in Europe and elsewhere'.[24] To prevent this outcome, American economic and military assistance to the French accounted for 40 per cent of the total cost of pursuing the colonial war against the revolutionary nationalist Vietminh movement between 1951 and 1955, reaching as high as 75 per cent during the first half of 1954.[25] Meanwhile, the President instructed the Pentagon to operate on the assumption that the USA would not get involved in another 'unwinnable' war where they had seriously contemplated using nuclear weapons but limited military action to conventional means and lost. This time Eisenhower proposed using nuclear weapons. In May 1953, he approved a Joint Chiefs of Staff recommendation that included the use of atomic weapons against military targets in China if the Chinese intervened in Indo-China.[26] The following October, he gave his imprimatur to an NSC paper 'which approved the planning assumption that nuclear weapons would be used in limited war situations'.[27]

Eisenhower's 'New Look' military strategy of 'massive retaliation' centered around the use of atomic weapons to achieve military objectives. In February 1954, the President told congressional leaders that in any future war with China the USA would 'go all the way', placing no restrictions on weapons or targets.[28] Throughout the first half of 1954, the application of nuclear weapons in Indo-China was a subject of continuing discussion and serious consideration among the most senior foreign policy officials in the executive branch. The NSC produced a number of recommendations in favor of using these weapons which were supported by the Pentagon Joint Advanced Study Group and other high-ranking Defense officials, including the head of the US Far East Air Force, General Partridge.[29]

In late March, the French Army Chief of Staff, General Paul Ely, visited Washington DC in an effort to persuade the Eisenhower administration to commit its air power to the Indo-China war. The President agreed to provide US air support in the event of Chinese intervention and, prior to his meeting with Ely, told Joint Chiefs of Staff Chairman Admiral Radford that he would not 'wholly exclude the possibility of a single [air] strike [to bolster France's deteriorating position] if it were almost certain this could provide decisive results'.[30] Conferring with the French General, however, Eisenhower emphasized that direct US military involvement would depend on the satisfaction of a number of conditions, including prior congressional approval, allied participation, and a French promise to grant some form of

independence to Vietnam, Cambodia and Laos, which ultimately could not be fulfilled.[31] But in separate discussions with Admiral Radford, Ely was encouraged by Radford's support for the so-called Operation Vulture air-strike plan originally formulated by French and American military officials in Saigon. Operation Vulture involved the use of about 60 B-29 bombers, 150 American carrier-base fighters, and possibly tactical atomic bombs against the Vietminh forces surrounding Dien Bien Phu. Although the Joint Chiefs Chairman was the most ardent administration advocate of the plan, George McT. Kahin observes in his recent study of American intervention in Vietnam that 'the available record gives no indication that [President Eisenhower or Secretary of State Dulles] criticized [Radford] for going beyond a position that was at least under serious consideration'.[32]

John Prados in his comprehensive examination of Operation Vulture writes that there is strong circumstantial evidence to support French Foreign Minister George Bidault's claim that, on two separate occasions in early 1954, Secretary of State Dulles personally offered to augment the French military arsenal in Indo-China with nuclear weapons. The first offer was of one or two atomic bombs to be dropped on Chinese territory near the Vietnamese border to destroy the Vietminh supply line; the second was of 'two A-Bombs for Dien Bien Phu' made at the time of a Paris NATO meeting in late April. According to two French government officials who accompanied Bidault, both were immediately apprised of the Dulles offer by the Foreign Minister.[33]

On 30 April 1954, one week before the fall of Dien Bien Phu, President Eisenhower met with Vice-President Nixon and the chairman of the NSC Planning Board, Robert Cutler, to consider

> whether the United States should decide immediately to use 'new weapons' in any intervention, whether one 'new weapon' dropped on Viet Minh reserves at Tuan Giao could have a decisive effect . . . and could one 'new weapon' be loaned to France for this purpose?[34]

Eisenhower's biographer, Stephen Ambrose, maintains that the President restated his position that there would be no US conventional or atomic air strikes in the absence of allied support.[35] However, Robert Cutler's account suggests a more ambiguous presidential stance. According to the NSC Planning Board Chairman, the discussion included serious consideration of the question of 'loaning' atomic bombs to the French, and Eisenhower also stated his willingness to tell Paris that if they wanted some of these 'new weapons', Washington 'might give them a few'.[36]

The nuclear options for Vietnam surfaced again in late 1954 following

French fears that the Chinese were about to intervene in Indo-China on the side of the Vietminh with jet fighters. In the event this occurred, Paris requested swift and large-scale American military intervention. The administration began reassessing its policy options. The Joint Chiefs of Staff and the NSC argued that US military power should target the source, that is, China, and that 'in this connection atomic weapons should be used'. Eisenhower, however, restated his reluctance to intervene unilaterally and also reiterated his concern that 'an atomic assault against China would inevitably bring Russia into the war . . .'[37]

The Cuban Missile Crisis

The clearest expression in recent history of an integral relationship between US military intervention in the Third World and the threat of nuclear war is the American blockade of Cuba in October 1962. This most dramatic and dangerous post-war episode illustrates the way in which conflicts that begin as conventional wars can escalate into global nuclear confrontation.

The political revolution against the Batista dictatorship and foreign economic domination and initial measures to control indigenous and foreign property interests, culminated in a combined national and social revolution in Cuba between 1959 and 1961, rooted in a mobilized urban and rural proletariat.[38] The structural transformation of the Cuban economy and society, the construction of a new nonpermeable state apparatus, and the insertion of large-scale property nationalizations into an anti-capitalist (socialist) development strategy brought a hostile US response. Faced with a government led by radical nationalists anchored in a mobilized, class-conscious working class and intent on moving Cuba out of the capitalist political-economic orbit, a consensus emerged within the highest echelons of the US imperial state in support of a policy of political, economic and military confrontation on a bilateral and, subsequently, regional and global scale.[39]

The failure of American diplomatic, economic and military efforts to arrest and roll back the process of transformation in revolutionary Cuba between 1959 and 1962 was rooted not only in the closure of historic imperial access points at the level of the state and society, but also in the absence of any significant social forces inside the country capable of, and willing to, collaborate with Washington in its counter-revolutionary project. While no particular moment or event can be isolated as the most decisive in accounting for Washington's loss of confidence in the 'insider'

strategy and the shift to an overwhelmingly 'outsider' approach (regional political isolation and global economic sanctions) to disintegrate the Cuban Revolution, the so-called Cuban Missile Crisis and its outcome effectively terminated any possibility of destabilizing the revolutionary regime and its development program from within.

The Eisenhower and Kennedy administrations conducted a policy of escalating confrontation with the Cuban Revolution, culminating in a US organized and directed military invasion in April 1961 which failed. Thereafter, the White House began planning new forms of military aggression as it continued to engage in high-intensity conflict with Havana. Senior policymakers contended that the island had enormous strategic significance not only in relation to the Caribbean but to all of Latin America. The revolutionary regime's superiority in conventional warfare against US client forces subsequently catapulted the nuclear option to the top of Washington's agenda for dealing with Cuba.

On 16 October 1962, acting on what American officials described as irrefutable evidence that the Soviet Union had sent medium-range nuclear missiles to Cuba, President Kennedy decided to force the missiles' removal even at the risk of nuclear confrontation. Discussions in the White House were initiated with a group of the administration's most senior officials (subsequently designated the Executive Committee of the National Security Council or EXCOM) to evaluate the options – ranging from secret negotiations with Khrushchev or Castro to military invasion and nuclear confrontation. From the outset, the EXCOM 'clearly recognized that a confrontation with the Soviet Union would entail a certain risk of nuclear war. But they felt that this was a risk that simply had to be accepted.'[40]

Most of the participants at the 16 October meeting supported either a combined air strike and military intervention or a quarantine based on a naval blockade. The Joint Chiefs of Staff advocated a direct invasion and comprehensive bombing of not only the missiles but also other military targets. Secretary of State Dean Rusk and National Security Council Advisor McGeorge Bundy countered that there were political advantages to be gained from confining the attack to missile sites, and that America's strategic nuclear superiority virtually ensured no Soviet retaliation.[41] Secretary of Defense Robert McNamara and Attorney General Robert Kennedy initially aligned themselves with proponents of a more aggressive interventionary response. While conceding that some form of 'direct military action' against Cuba would assuredly produce 'a Soviet response in another part of the world', McNamara argued that 'it may well be worth the price'. Kennedy raised the possibility of creating a pretext ('sink the Maine again or something') to justify direct military involvement. Toward the end of the meetings, McNamara began to shift

gears, initiating a discussion of the naval blockade option. Irrespective of which action was finally taken, President Kennedy told the policymakers that one thing was certain: 'We're going to take out these, uh, missiles.' Undecided in Kennedy's mind was whether to undertake 'a general air strike' or a 'general invasion'.[42]

Although the White House tentatively set an air strike for 27 October, sentiment among some of the President's most influential advisors was beginning to coalesce in favor of a naval blockade. Robert McNamara offered the most persuasive argument: unlike the irreversible nature of an air strike, a blockade provided the flexibility to shift to a riskier option, if necessary.[43] White House official Theodore Sorenson made the same point, saying 'Precisely because it was a limited, low-level action . . . the blockade had the advantage of permitting a more controlled escalation on our part, gradual or rapid as the situation required.'[44] The President accepted this reasoning, but declared that the air strike would be retained as the option of last resort.

On 22 October President Kennedy publicly disclosed the existence of Soviet missiles in Cuba, announced a naval quarantine of the island, and (falsely) accused Moscow of shifting the nuclear balance of power by placing missiles only ninety miles from Florida. The Strategic Air Command was placed on nuclear alert across the USA, and the Pentagon was directed to prepare for possible military invasion.[45] These actions brought the world to the edge of nuclear confrontation for almost a week. Having received no commitment from Khrushchev to withdraw the missiles by 27 October, the President convened a White House EXCOM meeting where he endorsed plans for an invasion of Cuba on 20 October, to be preceded by air strikes against missile sites, air bases, and anti-aircraft installations.[46] Informed by the CIA that some of the missiles were now operational, Defense Secretary McNamara declared that 'we must now be ready to attack Cuba. . . . Invasion has become almost inevitable'.[47] On 28 October, however, the Soviet Union finally agreed to a White House proposal to resolve the conflict peacefully. In return for Moscow's commitment to withdraw its missiles from Cuba, Washington would remove its nuclear-warhead missiles from Turkey. The settlement also included a verbal agreement relating to Cuba: on the basis of Moscow's word not to reintroduce nuclear weapons, the US government pledged to jettison the direct military intervention option from its Cuba policy arsenal.

Marc Trachtenberg has persuasively argued that overwhelming US nuclear dominance and the Kennedy administration's refusal to rule out a first-strike option to gain its objective are keys to understanding the Soviets' ultimate decision to withdraw the missiles and also their failure to make any preparations for military confrontation with the

USA during the entire Missile Crisis period: 'the Soviets seem to have been profoundly affected by their [US] "strategy superiority" . . . The danger of provoking an American pre-emptive strike tended to rule out countermeasures . . . that would significantly increase the risk of war.'[48]

Soviet pragmatism and prudence avoided a nuclear war on this occasion. Nothing comparable to the US-Cuban-Soviet confrontation has occurred in Europe, either in terms of directness of danger or in immediacy of nuclear war.

The Vietnam War

The final collapse of French imperialism in Indo-China in the mid 1950s overlapped with the rise of US hegemony in the capitalist world. Determined to eliminate all obstacles to worldwide capital accumulation and commerce, the US imperial state focused its attention on defeating mass revolutionary nationalist movements in the Third World. During the mid and late 1960s, Washington's principal concern was Vietnam, where the victors over the French had accumulated further successes. These now raised the possibility of the overthrow of the client American regime in South Vietnam and the extension of socialist revolution from the Chinese subcontinent to the rest of Southeast Asia. Refusing to accept the prospect of such an outcome, the USA made a new and massive military commitment to its Vietnamese allies that embodied a specific political goal: the destruction of the revolutionary nationalist movement. The scope and depth of the US attachment to this goal in a country where American economic involvement was negligible loosened all constraints on political-military warfare. The subsequent process of unlimited, unrestrained warfare and indiscriminate saturation bombing uprooted populations in the cities and the countryside, cut across class boundaries, collapsed old disparities and conflicts between regions, classes, clans and ethnic groups, and created the basis for a massive movement of revolutionary proletarians, uprooted peasants and petty commodity producers that fused into a revolutionary army and defeated the dominant imperial power and its local collaborators in 1975.[49]

Vietnam was par excellence an example of high-intensity conflict between the USA and social revolutionary forces: prolonged guerrilla warfare between 500,000 American troops and a revolutionary army with deep national roots. US officials in three administrations contended that Vietnam was strategic to the whole of Southeast Asia, if not to the whole of Asia. Moreover, following the Tet Offensive of 1968 it was clear that the Vietnamese revolutionary forces were in the process

of defeating the imperial powers in conventional warfare. The Nixon–Kissinger administration possessed nuclear weapons, and increasingly came to consider them as policy vehicles to gain a military victory.

The first year of the Nixon administration witnessed an extraordinary buildup of US military power in Vietnam as part of the new White House strategy of massive retaliation against Hanoi and the Viet Cong. Determined to force North Vietnam to its 'breaking point',[50] US forces dropped 75,000 tons of bombs during 1969 alone.[51] More ominously, for the second time in less than two decades, Washington began to give serious consideration to using atomic weapons in order to win a war in Indo-China. In July 1969, Nixon decided to 'go for broke' and 'attempt to end the war one way or the other – either by negotiated agreement or by an increased use of force'.[52] At the behest of the President, NSC advisor Henry Kissinger initiated a top-secret study for a proposed escalation of the war into the North. Code named 'Duck Hook', this study proposed saturation bombing of the main population centers, mining of harbors and rivers, bombing of the dike system, a US troop invasion, the possible use of nuclear weapons to destroy strategic passes along the Ho Chi Minh Trail, and the bombing of North Vietnam's most important rail links with China. 'There was,' writes Seymour Hersh in his exhaustive and definitive study of Nixon–Kissinger foreign policy, 'a separate, even more secret study dealing with the implications of using tactical nuclear weapons on the rail lines, the main funnel for supplies from the Soviet Union as well as China.' Kissinger told his NSC staff members analyzing the 'Duck Hook' proposals that they were 'to examine the option of a savage, decisive blow against North Vietnam' which should not exclude the use of nuclear weapons.[53]

By early 1971, the consideration of the nuclear option and the possible use of tactical nuclear weapons in Vietnam had become a common topic of discussions between Nixon and Kissinger. According to some of the NSC advisor's aides, the administration's two senior foreign policymakers persisted with this kind of talk for the duration of the Nixon presidency.[54] Although the White House did not move the discussion from the planning to the operational stage, and although the President described the threats of nuclear intervention as part of a grand strategy to terrorize the North Vietnamese to the conference table (Eisenhower's approach to North Korea and what Nixon termed 'the madman theory'), there was a dramatic shift in US policy toward Vietnam beginning in 1969. At its core was the idea of using nuclear weapons to defeat a national liberation movement in the Third World.

There was a real threat of the use of nuclear weapons in Vietnam and, in fact, there is evidence of at least one nuclear alert that took place between late 1970 and early 1971. According to a CIA official

serving in the Agency's operation center during this period, the Air Force issued a top-secret 'stand down' order 'forbidding all intelligence and other operations in and over the area of North Vietnam'. The official continued: 'A stand-down did exist and it's a standard indicator for a nuclear attack . . .'[55] The consequences of such an attack could have been a global nuclear confrontation if, as was likely, the Soviet Union had come to the aid of its Vietnamese ally.

Conclusion

Our discussion of the four case studies demonstrates that it is not nuclear weapons that dictate politics, but rather politics that dictates the use of nuclear weapons. More specifically we have observed that the propensity to use nuclear weapons as an overt threat is related to the level of class and national struggle. In regions where the dominant imperial countries of the West are in the process of being *defeated* by national communist revolutionary forces, there has been an increasing tendency for policy elites to introduce nuclear weapons to counter-balance their increasing political impotence. Paraphrasing Clauswitz: nuclear war is an extension of counter-revolutionary politics by other means.

Nuclear weaponry and the military chieftains are not autonomous entities dominating politics, but rather are intimately linked to the level and intensity of class and national struggle. The military-nuclear reductionists cannot explain why conventional arms have predominated in most regional conflicts and why 'the cold war' (propaganda conflicts) has been the major ingredient in East-West confrontation in Europe. In a word, these are non-nuclear instrumentalities, whereas in Third World regions of high-intensity class warfare, nuclear weaponry has been a calculated choice of imperial policymakers. If nuclear weaponry was truly autonomous it would operate in all contexts. Since, in fact, it operates only in specific instances, it is incumbent upon the researcher to identify the specific characteristics which evoke the nuclear option. In our cases it is clear that the emergence of social revolutionary movements which are perceived to have larger regional consequences trigger the nuclear threat. The interface between declining imperial power, ascending revolutionary movements and the policy elites' perception that there will be no nuclear consequences for the user have been the main contextual and structural factors triggering the threat of nuclear war.

While nuclear weapons have been seriously considered as a result of high-intensity class warfare, there is evidence that mass social movements directed against US intervention in the Third World have had an indirect

effect in *reducing* the nuclear threat. In other words, if Third World interventions by imperial powers have precipitated the near use of nuclear weapons, the negative public reaction to those interventions – an outcome resulting only if there is serious loss of life in the 'home country' – can have as a spill-over effect a restraining influence on nuclear policy.

The case of Vietnam is an excellent example. The non-interventionist movement in the USA, both in scope and depth, exceeded all previous anti-nuclear movements. It was instrumental in creating an anti-interventionist, anti-militarist climate in which detente was inaugurated, nuclear arms control agreements were reached (Salt I), the CIA was reined in, the imperial presidency was restrained from intervening in several Third World revolutions and the military budget, including nuclear spending, was reduced.

The indirect effects of mass mobilization for self-determination were greater in reducing the nuclear arms race than the anti-nuclear movement because it challenged the political basis of nuclear arms buildup: the drive for global hegemony. The 'non-political', anti-nuclear, freeze movements which eschew issues of hegemony, imperialism and intervention (or relegate them to the back burner) fail to understand the dynamic inter-relation between nuclear weaponry, international class conflict and the drive for hegemony. Indeed they focus on the *consequences* or technological instruments of politics not the political roots of nuclear policies.

Why is nuclear warfare more likely to grow out of conflicts between imperial capital states and national/social liberation movements in the Third World? There are several plausible reasons. First, the hegemonic power does not have to fear nuclear retaliation when it attacks poor Third World countries. Hence one of the constraints – 'the balance of terror' – is not operative; therefore imperial policymakers may conceive of a nuclear strike without cost to its own population. Second, the boundaries between the superpowers, the 'spheres of influence', are very clearly defined, recognized, and accepted in Europe. In the Third World where the Western countries have traditionally exercised hegemony and/or domination, their influence is not stabilized nor recognized as legitimate, particularly by those classes which are exploited, oppressed or excluded by the ongoing configuration of power. Thus, challenges from below which alter international alignments – from the US/Western orbit to the non-aligned or pro-Soviet – in an unfavorable manner for the West, are more likely in the Third World. The result in Western resistance leading to armed conflict, first with conventional weapons, and when that fails nuclear threats. Third, Western analysts have emphasized the interdependence of Third World countries to the point where they have seen localized revolutions as part of a regional pattern (the so-

called domino effect), hence raising the stakes for *any* shift in national alignments. So, what Washington perceived in the Indo-China/Vietnam revolutions was the loss of hegemony in the 'whole of Southeast Asia'; in the Korean conflict, the loss of hegemony in the 'whole of Northeast Asia'; and in the Cuban Revolution, the loss of hegemony 'in the whole of Latin America'. The vision of the loss of continents fuels the kind of political extremism which can move easily from conventional to nuclear warfare.

A fourth factor which influences the use of nuclear weapons in the Third World is the fact that we are dealing with imperial democracies in the West. Overseas armed intervention in defense of corporate or hegemonic military aims must ultimately meet with the assent of the voters and parliaments. Recent history has demonstrated that the US public will not support prolonged interventions which are costly in American lives and money. Hence, in Korea and Vietnam, faced with the choice of abandoning regional hegemonic aspirations in order to retain domestic legitimacy, or using nuclear weapons to retain overseas power, Washington has frequently sought to threaten nuclear warfare to achieve its ends. It appears that Washington prefers to respond to its electoral clientele at home (by ending the loss of American lives) at the expense of threatening to 'nuke' rebellious Third World populations.

Lastly, the buildup of nuclear arms has always been part and parcel of the post-World War Two global expansion of the US state and economy. Nuclear weapons have served as a 'reserve weaponry' to counter any attempts by the Soviets to extend consequential support to emerging movements in the Third World. The assumption of uninterrupted growth of hegemony based on the premise that Soviet support was an essential ingredient to any successful revolutionary challenge and could be countered by the nuclear threat was demonstrated to be false in the cases that we have considered. Faced by this new contingency of a successful challenge from below and the inside, Washington could no longer count on the notion of a nuclear reserve against the Soviet Union but had to operationalize plans for a nuclear strike against Third World social movements.

The driving force challenging US global hegemony has not been Soviet expansionism, but rather Third World revolutions. Soviet policy has been conservative and repressive within its traditional spheres of influence. Nuclear weapons are an integral element in sustaining global hegemony. Confronted with revolutionary Third World challenges in which notions of the balance of nuclear terror are not applicable, where politics and class conflict – not 'state to state' relations – are paramount, Washington has resorted to building up the conventional military/security apparatuses of client states and, failing that, intervening

with its own forces. It is precisely at those moments when Washington's conventional instruments for sustaining its global visions are inadequate that it has seriously contemplated nuclear warfare. It is in this context of global hegemonic aspirations, and growing social/political conflict in the Third World that the threat of nuclear war has flourished – and continues to threaten world destruction.

Notes

1. Claus Knorr, 'Controlling Nuclear War', *International Security*, Vol. 9, No. 4, 1985, p. 79.

2. For discussions of these various possible detonators of nuclear war, see the following studies: Graham T. Allison, Albert Carnesale, Joseph S. Nye, Jr, eds, *Hawks, Doves, and Owls* (New York and London: W. W. Norton), 1985, especially introduction and articles by Paul Bracken, Richard K. Betts, and Henry S. Rowen; The Harvard Nuclear Study Group, *Living with Nuclear Weapons* (Cambridge and London: Harvard University Press), 1983, pp. 47–68; Frank Barnaby, 'Nuclear Conflict: A Global Prospect?', in Frank Barnaby and Geoffrey Thomas, eds, *The Nuclear Arms Race – Control or Catastrophe?* (London: Frances Pinter), 1982, pp. 7–36; Bruce Berkowitz, 'Proliferation, Deterrence, and the Likelihood of Nuclear War', *Journal of Conflict Resolution*, Vol. 29, No. 1, 1985, pp. 112–36; Michael D. Intriligator and Dagobert L. Brito, 'Can Arms Races Lead to the Outbreak of War?', *Journal of Conflict Resolution*, Vol. 28, No. 1, March 1984, pp. 63–84; Bernard Bereanu, 'Self-Activation of the World Nuclear Weapons System', *Journal of Peace Research*, Vol. 20, No. 1, 1983, pp. 49–57; Knorr, 'Controlling Nuclear War' pp. 79–98; Dietrich Fischer, *Preventing War in the Nuclear Age*, London and Canberra: Rowman & Allanheld/Croom Helm), 1984; Joseph S. Nye, Jr, 'US–Soviet Relations and Nuclear Risk Reduction', *Political Science Quarterly*, Vol. 99, No. 3, 1984, pp. 401–14; Joseph Rotblat and Sven Hellman, eds, *Nuclear Strategy and World Security* (London: The Macmillan Press), 1985, especially the articles by Richard Smoke, Sverre Lodgaard and Per Berg.

3. Joseph S. Nye, Jr, 'US–Soviet Relations', p. 409.

4. See Fen Osler Hampson, 'Escalation in Europe' in Allison, Carnesale, and Nye, *Hawks, Doves, and Owls*, pp. 80–114; E.P. Thompson and Dan Smith, eds., *Protest and Survive* (Middlesex: Penguin Books), 1982, especially the articles by E.P. Thompson, Alva Myrdal, and Dan Smith; Sverre Lodgaard and Per Berg, 'Disengagement in Central Europe', in Rotblat and Hellman, *Nuclear Strategy*, p. 242; Thompson et al., *Exterminism and Cold War* (London: Verso), 1982, especially the articles by E.P. Thompson and John Cox.

5. Bruce Cumings, *The Origins of the Korean War: Liberation and the Emergence of Separate Regimes 1945–1947* (Princeton, NJ: Princeton University Press), 1981, p. xxvii.

6. For an extended discussion, see ibid.

7. See Joseph C. Goulden, *Korea: The Untold Story of the War* (New York: Times Books), 1982, p. 395.

8. See Bruce Cumings, 'Korea – the New Nuclear Flash Point', *The Nation*, 7 April 1984, p. 416.

9. See Rosemary Foot, *The Wrong War: American Policy and the Dimensions of the Korean Conflict, 1950–1953* (Ithaca and London: Cornell University Press), 1985, p. 155.

10. Quoted in ibid., p. 177.

11. Dwight D. Eisenhower, *Mandate for Change 1953–1956* (New York: Doubleday), 1963, p. 181. Also see Foot, *The Wrong War*, p. 24.

12. Quoted in Bernard Gwertzman, 'US Papers Tell of '53 Policy to Use A-Bomb in Korea', *New York Times*, 8 June 1984, p. 8; 'For Eisenhower, Two Goals If Bomb Was to be Used', *New York Times*, 8 June 1984, p. 8.

13. Quoted in Foot, *The Wrong War*, pp. 208–9.

14. Quoted in Alexander L. George and Richard Smoke, *Deterrence in American Foreign Policy: Theory and Practice* (New York and London: Columbia University Press), 1974, p. 240.

15. Quoted in ibid.

16. Interview with *Time* magazine, reprinted in 'Nixon: reflections on forty years of the Bomb', *Sydney Morning Herald*, 23 July 1985, p. 11.

17. See George and Smoke, *Deterrence in American Foreign Policy*, p. 240.

18. Quoted in ibid., p. 241.

19. Quoted in Gwertzman, 'US Papers', p. 8; also 'For Eisenhower, Two Goals if Bomb Was to be Used', p. 8.

20. Quoted in Foot, *The Wrong War*, p. 214.

21. See I. Milton Sacks, 'Marxism in Vietnam', in Frank Trager, ed., *Marxism in Southeast Asia* (Stanford, California: Stanford University Press), 1959, pp. 102–70; Bernard Fall, *Ho Chi Minh on Revolution 1920–1966* (New York: Signet Books), 1967; Thomas Hodgkin, *Vietnam: The Revolutionary Path* (London: The Macmillan Press), 1981.

22. See Bernard Fall, *The Viet-Minh Regime* (New York: Institute of Pacific Relations), 1956.

23. Melvin Gurtov, *The First Vietnam Crisis: Chinese Communist Strategy and United States Involvement, 1953–1954* (New York and London: Columbia University Press), 1967, p. 25.

24. Quoted in The Senator Gravel Edition, *The Pentagon Papers, Volume One* (Boston: Beacon Press), 1967, pp. 83, 86.

25. See Melvin Gurtov, *The First Vietnam Crisis*, pp. 24–5; Stephen E. Ambrose, *Eisenhower, Volume Two: The President* (New York: Simon and Schuster), 1984, p. 175.

26. See Robert A. Divine, *Eisenhower and the Cold War* (New York: Oxford University Press), 1981, p. 51.

27. Towsend Hoopes, *The Devil and John Foster Dulles* (Boston: Beacon Press), 1973, p. 136.

28. Quoted in John Prados, *The Sky Would Fall. Operation Vulture: The US Bombing Mission in Indo-China, 1954* (New York: The Dial Press), 1983, p. 154.

29. See ibid.

30. Quoted in Ambrose, *Eisenhower*, pp. 177–8.

31. See, for example, Gurtov, *The First Vietnam Crisis*, pp. 92–115; Ambrose, *Eisenhower*, pp. 173–84.

32. George McT. Kahin, *Intervention: How America Became Involved in Vietnam* (New York: Alfred A. Knopf), 1986, p. 47. On Operation Vulture, see Prados, *The Sky Would Fall*; Divine, *Eisenhower*, pp. 40–41; Ambrose, *Eisenhower*, pp. 160–81.

33. See Prados, *The Sky Would Fall*, pp. 152–4; Roscoe Drummond and Gaston Coblentz, *Duel at the Brink: John Foster Dulles' Command of American Power* (London: Wiedenfeld and Nicolson), 1960, pp. 121–2.

34. Quoted in Prados, *The Sky Would Fall*, p. 155.

35. See Ambrose, *Eisenhower*, pp. 184–5.

36. Quoted in Prados, *The Sky Would Fall*, p. 155.

37. Quoted in Ambrose, *Eisenhower*, pp. 205–6.

38. See James O'Connor, *The Origins of Socialism in Cuba* (Ithaca: Cornell University Press), 1970.

39. See Morris H. Morley, *Imperial State and Revolution: The United States and Cuba, 1952–1986* (New York and London: Cambridge University Press), 1987.

40. Secretary of Defense Robert McNamara, quoted in Marc Trachtenberg, 'The Influence of Nuclear Weapons in the Cuban Missile Crisis', *International Security*, Vol. 10, No. 1, 1984, p. 141.

41. Transcripts, Cuban Missile Crisis Meetings, 16 October 1962, President's Office Files, *Kennedy Presidential Library*, First meeting, 11.50 a.m. to 12.57 p.m., p. 25; Second meeting, 6.30 p.m. to 7.45 p.m., pp. 8, 18, 43.

42. Ibid., Second meeting, pp. 9–10, 27, 44–48; First meeting, p. 27.

43. See Robert F. Kennedy, *Thirteen Days: A Memoir of the Cuban Missile Crisis* (New York: Signet Books), 1969, p. 53.

44. Theodore C. Sorenson, *Kennedy* (New York: Harper & Row), 1965, p. 688.

45. See Trachtenberg, 'The Influence of Nuclear Weapons', p. 157; Robert F. Kennedy, *Thirteen Days*, p. 55.

46. See Walter Pincus, 'Standing at the Brink of Nuclear War', *Washington Post*, 25 July 1985, pp. A1, A10.

47. Quoted in Trachtenberg, 'The Influence of Nuclear Weapons', p. 142.

48. Ibid., p. 163.

49. See Gabriel Kolko, *Anatomy of a War* (New York: Pantheon Books), 1985; George C. Herring, *America's Longest War; The United States in Vietnam, 1950–1975* (New York: John Wiley & Sons), 1979; Arnold R. Isaacs, *Without Honour: Defeat in Vietnam and Cambodia* (Baltimore and London: The John Hopkins University Press), 1983; Francis Fitzgerald, *Fire in the Lake* (Boston: Little Brown), 1972.

50. National Security Council Advisor Henry Kissinger, quoted in Roger Morris, *Uncertain Greatness: Henry Kissinger and American Foreign Policy* (New York: Harper & Row), 1977, p. 164.

51. See Isaacs, *Without Honour*, p. 126.

52. Richard M. Nixon, *RN: The Memoirs of Richard Nixon* (New York: Grosset and Dunlap), 1978, pp. 393–4.

53. Quoted in Seymour M. Hersh, *The Price of Power: Kissinger in the Nixon White House* (New York: Summit Books), 1983, pp. 120, 126.

54. See ibid., p. 129.

55. Quoted in ibid., p. 369.

4

Sacrificing Dictators to Save the State: Permanent and Transitory Interests in US Foreign Policy

Conceptual Framework

Washington recognizes two levels of reality – strategic and tactical – in analyzing Third World political systems: the regime and the state. The state represents the permanent interests of class power and international alignments: the defense of capitalism and ties to Western markets and linkages to the US hegemonic bloc. It is not based on or constructed by transitory public opinion or electoral processes nor does it usually depend on political parties or personalities. The institutions or components of the state are products of long-term, large-scale processes – the interaction of dominant classes and the interrelation between classes, the permanent civil and military bureaucracy, the judiciary, and those institutions that control the economic levers of the accumulation process. The regime represents the day-to-day policy decisions at the executive military/civilian level that can modify or negotiate the operations of the permanent interests but never challenge them without evoking a crisis. Regimes are the elected or self-appointed policymakers, subject to renewal or replacement, operating within the state and class framework. Our study focuses on class analysis of the state rather than on political analysis of the regime precisely because the permanent (strategic) interests of US policymakers are vested in the composition, collaboration, ideology and resources (especially coercive power) of the state. In a crisis or period of political upheaval in the Third World, the regime is expendable, the state is not.

American policy toward the Third World focuses on the notion of

violence as the ultimate arbiter of power and guarantor of basic US interests – political, economic and strategic. Hence, the composition and control over the coercive apparatus (army and police) is a more basic concern to the White House and State Department than who dominates the legislative and executive bodies. Of course, US policymakers are aware that hostile regimes can provoke a crisis by challenging the state, even leading to political cleavages within the state, and thus they try to support regimes congruent with the state. However, the level of mobilization of state action and the level of Washington's concern over challenges to the state are incomparably greater than over changes in regime. The state/regime distinction is crucial in deciphering why the USA opposes 'revolution' and on occasion tolerates 'reform'. Revolutions challenge the state; reforms operate through changes in the regime based on the pre-existing state.

The critical factor explaining US shifts in support for a particular Third World regime – its preparedness to jettison a longstanding client ruler – is its fundamental opposition to the appearance of democratic mass social movements from below wanting to change the regime and the state. US support for, and promotion of, changes from military to electoral civilian regimes is precipitated by fear and hostility toward those movements that manifest anti-regime and anti-state objectives. The policy shift is designed to pre-empt and divide these movements by coopting the bourgeois civilian opposition and grafting a regime composed primarily of these forces onto the existing state structure. What typically follows this kind of political transition are efforts to divide and demobilize the democratic mass social movement (the perceived threat to US permanent interests) through a combination of clientele relations and repression.

The basic hypothesis of this study is that from Washington's perspective policy toward the Third World has always operated within a state-regime framework, supporting and defending by all means at its disposal client states while retaining a flexible tactical position regarding regimes. This two-track approach reveals both US rigidity about changes in state structures and flexibility in relation to regime changes. Writers who conflate these essentially different structures have been subject to error regarding the options and choices open to American policymakers. Liberal critics who associate US policy and multinational interests exclusively with dictatorial regimes fail to explain the accommodation with electoral regimes, indeed Washington's pronounced shift toward a preference for Third World civilian governments in the 1980s. Likewise, conservative writers who criticize the White House for dumping right-wing military regimes fail to recognize the deeper structural continuities that preoccupy US policymakers – they confuse regime with state. Nor

are explanations of policy shifts toward dictatorial or elected regimes with reference to bureaucratic infighting (for example, Pentagon vs State), particular parties in power (Democrats are supposedly more disposed to electoral regimes, Republicans to military rulers), or influential policymakers (for example, Brzezinski, Shultz) very convincing. In specific instances where Washington has spurred regime changes, the supposedly conflicting executive branch agencies have cooperated and pursued complementary policies. Moreover, both Democratic and Republican administrations have pursued policies promoting cooperation with civilian or military regimes and, at different times, have supported regime changes from electoral to military and vice versa.

In light of the above, interpretations of US policy shifts from support for dictatorships to support for democratic regimes in terms of a White House commitment to promoting, or imposing, democratic values cannot be sustained. Given Washington's preparedness to accommodate and support Third World dictatorships over long periods of time in the absence of challenges to the regime or state, an abrupt change in policy cannot be explained in terms of values but only in relation to permanent interests. US policymakers interpret a change from dictatorship to democratic regime, first and foremost, as a mechanism for preserving the state, not as a mode of promoting democratization and the values that accompany it.

On the basis of these observations, a number of central propositions can be generated to account for US policy toward political transitions in the Third World:

1. There is an underlying consensus among US policymakers and the corporate elite to defend client-state structures in all circumstances.
2. When state structures are threatened by broad-based social and political movements, Washington will seek to divide these movements, hiving off sectors compatible with the state and its permanent interests and promoting a political settlement in which electoral processes are incorporated within existing state structures.
3. The policy of dividing the opposition movement involves two approaches: pressure on the incumbent regime to modify its policies and coopt pliable sectors of the opposition; pressure to replace the regime with sectors of the opposition compatible with Washington's permanent interests – in recent times substituting military with electoral/civilian governments in cohabitation with the existing state.
4. The new regime will be embedded within the 'old' state structures

and it will join with the USA in demobilizing or repressing those sectors of the opposition movement oriented toward making changes in the state structure. Furthermore, the constraints imposed by US policymakers on political and social changes in client states in the post-transition period are defended by metropolitan liberal and conservative ideologues as 'concern with legitimate issues of national security'. Under that rubric, the White House gains license to intervene and manipulate Third World internal political processes and institutions to accommodate US hegemonic and corporate needs. Even the concerns of liberals evaporate so long as those 'legitimate' national security goals can be squared with electoral-civilian regimes.

What happens, however, when Washington fails to abort political and social change, when the reshuffle of regimes fails to occur, or when a change in regime takes place that is not acceptable to the USA and pursues policies contrary to the latter's definition of its permanent interests? A second set of propositions lend themselves to examining these circumstances:

1. Regime changes may occur because of imperfect timing. Where the revolutionary process has advanced too far, and the radical forces have already assumed undisputed hegemony, no credible split-off from the opposition movement may be available.

2. Regime changes may occur as a result of non-synchronous perceptions between client regime and patron. Where the client regime perceives its relations with the hegemonic patron as strategic it will come into conflict with the changing tactical policies of the hegemonic power who views the client as expendable. The conflict between the strategic perception of the client and the tactical needs of the patron can lead the former to adopt an intransigent position, refusing to leave office and thus delaying regime change and endangering the state. By tying the stability of the regime to the continuance of the state, the incumbent client may be attempting to reverse the pressure back onto the hegemonic power to force it to shift support back to the client.

3. Where regime changes take place which begin to challenge the permanent interests of the hegemonic power, the latter will exercise its historic ties with collaborator forces in the state and class structure to force the regime to reorient its policies to accommodate the state or destabilize and overthrow the regime and replace it with one congruent with the state and its hegemonic patron.

4. Where the regime and the state have been transformed in a fashion to challenge the permanent interests of the hegemonic power, the latter will move to reverse the changes through a combination of policies including the recomposition of the dismantled components of the old state apparatus as a counter-revolutionary army, an economic destabilization program, and the promotion of internal civilian restorationist forces. By attacking the state, economy and regime simultaneously, the hegemonic power hopes to reconstitute an externally oriented state power linked to a pliable civilian-military regime.

5. Where revolutionary changes in state power pre-empt and short circuit the process of reshuffling the regime, the hegemonic power embarks on a program of ideological warfare that focuses on two sets of issues: first, state transformation and the creation of a new revolutionary state structure is described as concentrating power and undermining pluralism. In this context, pluralism is identified with the presence of client groups in positions of influence in the state and hence the continuance of outside hegemonic leverage. Second, the presence of popular militias and mass organizations as centers of political and social power are described as precursors of authoritarianism or totalitarianism – even if electoral processes and institutions operate. In operational terms, the code words 'authoritarianism' or 'totalitarianism' refer to popular control over the state within which the electoral regime functions.

Hegemonic states face a particularly difficult task in affecting a political transition in circumstances where the incumbent client regime is tightly connected with the state, all the more so where the client dictator has built up strong political loyalties in the armed forces which resist pressure from the outside. The hegemonic power cannot isolate the regime from the state to sacrifice the former to save the latter. In this instance, the historic ties pass from the hegemonic power to the incumbent dictator, and from the dictator to the military hierarchy of the client state. This underscores the supreme importance of prior horizontal links at the sub-regime level, particularly with the commanding officers of the military, if the hegemonic power is intent on promoting a change of regime in the Third World.

Each country study illustrates a number of the propositions that guide this analysis of US policy toward the Third World in periods of political upheaval and transition. What is common to all, however, and what is decisive in shaping the changing US policy responses is the rising power of democratic mass social movements from below. In

the initial period, US policymakers either pressure the regime to make concessions to conservative-moderate sectors of the emerging opposition or collaborate with the regime to repress this nascent political challenge. As the mass movement grows and expands and begins to be viewed as a potential threat to the state as well as the regime, American policy shifts track: it begins to actively support those sectors of the opposition willing to cohabit with the regime and work with the existing state, and it pressures the regime to negotiate and make concessions to these civilians. The failure of this strategy may lead Washington to promote a change in the regime through pressuring the client to leave office and 'acceptable' civilian opponents to definitively split from the mass movement to form a new regime that will collaborate with the 'old' state. However, in circumstances where democratic mass social movements have been successful in overthrowing the regime and transforming the state, Washington then outlines a strategy based on reorganizing the defeated state in exile and attempting to nurture divisions within the new democratic regime. If this approach succeeds, the White House promotes the new collaborator regime as a manifestation of democracy, reconstitutes the 'old' state to serve permanent US interests, and supports the combined regime-state efforts to demobilize or repress movements for democracy from below.

We have chosen six countries to illustrate the above propositions. Each case involves regime crises in which Washington's traditional allies were challenged by democratic social movements and where US policymakers sought to dump dictatorial regimes to save the state. We examine US policy toward Cuba leading up to the overthrow of the Batista regime and state in 1958–1959, and its reaction to the post-revolutionary state; toward the Dominican Republic from the period of the overthrow of the Trujillo dictatorship in 1960–61 to the attempted restoration of the democratic Bosch regime via popular insurrection in 1965–66; toward Nicaragua during the twilight of the Somoza regime in 1978–79 and the early period of the revolutionary Sandinista state; toward El Salvador and efforts to fashion a civilian-military regime in the aftermath of the overthrow of rightist military rule in October 1979; toward Guatemala and the attempt to promote a political transition in 1985 based on co-habitation between the elected Cerezo regime and military (state) power; and, finally, toward Haiti between 1985 and 1987 where a rising mass social movement forced Washington to seek the ouster of the Duvalier dictatorship while dividing the political-electoral opposition, all the time retaining ties to the Duvalierist state.

Cuba

Between 1952 and early 1958, the Eisenhower administration policy of accommodation with the Batista military dictatorship was shaped by two broad considerations: the Cuban regime's capitalist development strategy that provided favorable conditions for US investment and trade expansion and key resources for US industry; and Batista's anticommunism and close identification with, and active support of, US regional and global objectives. Although the initiation of a guerrilla struggle in December 1956 and the increasingly repressive and corrupt policies of the dictatorship provoked a limited middle-level debate among American diplomats in Cuba and in parts of the State Department about the possibility of a more formal and correct bilateral relationship, prior to 1958 neither the White House nor the upper reaches of the State Department expressed much interest in Cuban developments, viewing the country basically as a 'safe precinct'. This stance was abruptly transformed by the appearance of a large-scale, anti-dictatorial movement led by radical nationalist guerrillas but with multiple class participants.

Throughout 1957, the political isolation and delegitimation of the Batista regime continued unabated. In mid year, extensive interviewing of trade union leaders in Havana, Santiago de Cuba and Pinar del Rio led the *New York Times* correspondent on the island to conclude that 'a majority of the rank and file [workers] are anti-Batista'.[1] The Santiago proletariat were described as being in 'open revolt' against the regime.[2] Meanwhile, influential segments of the Havana bourgeoisie had begun to defect from the strategy of 'civic dialogue' and 'compromise' politics. Industrialists whose declining economic position derived from 'the intrusion of Batista and his cronies into the private business sector',[3] and civic, religious and professional groups opposed to the manifest brutality and parasitism of the military-controlled state were instrumental in providing a structured urban opposition to Batista and providing material supports for the rurally based social revolutionaries.[4] Increased social polarization and the appearance of a mass-based revolutionary movement with large-scale working-class support in the cities and led by radical nationalist guerrillas in the countryside forced Washington in early 1958 to begin to question the viability of the military regime and its capacity to preserve the state and safeguard basic American interests over the long term. This sense of concern, even panic, was heightened with the collapse of Batista's major military offensive against the guerrillas in June and July of 1958. Eisenhower's policymakers began to visualize the possibility of the disintegration of the Cuban armed forces which would threaten Washington's permanent interests.

Having defined this revolutionary-led anti-dictatorial movement as a

primary threat, Washington hastily set about devising new strategies under the pressure of limited time constraints that would divide the opposition to the regime and preserve the state. The paramount concern of the Eisenhower administration was to deny political (and state) power to the Castro forces. The preferred alternative was a pro-capitalist regime not identified with the excesses of Batista but committed to the survival of a refurbished and reconsolidated Batista military state structure.

The problem of sifting the various strategy options, and settling on an appropriate response, was made more difficult by Batista's intransigent refusal to accommodate repeated Washington requests for his voluntary resignation in favor of a transitional, anti-Batista, anti-Castro regime. Nevertheless, the State Department pushed ahead in an attempt to forestall a guerrilla victory, oust Batista from power, and impose an interim regime composed of selected anti-Castro civilian and military individuals. In a top secret memorandum to President Eisenhower in October, acting Secretary of State Christian Herter outlined the immediate strategic priorities:

> The Department has concluded that any solution in Cuba requires that Batista must relinquish power . . . The Department clearly does not want to see Castro succeed to the leadership of the Government . . . Therefore, we have been and are attempting in every appropriate way, through all means available, *without openly violating our non-intervention commitments*, to help create a situation in which a third force could move into the vacuum between Batista and Castro.

Herter concluded on the following note:

> In sum, we do not believe that Batista can possibly establish his successor firmly and peacefully in office on February 24, 1959. We are therefore seeking, by all means short of outright intervention to bring about a political solution in Cuba which will keep the Castro movement from power. . . .[5]

These efforts ranged from continued pressures on Batista to resign, to efforts to enlist regional support for its anti-Castro policy, to considering the possibilities of promoting a military coup, to an active CIA presence in Cuba seeking to implement the 'third force' solution.[6] Ultimately, however, the belated nature of these endeavors, Batista's obduracy, and the strength of the revolutionary forces who demanded and obtained the unconditional surrender of the Batista military proved decisive. Not only had Washington failed to engineer a regime change in Cuba that denied political power to the social revolutionaries; with the collapse of the Batista armed forces, the Castro guerrillas automatically became the new military apparatus of the Cuban state.

The failure of the Eisenhower White House to effect a non-

revolutionary transfer of power in Cuba led directly to the destruction of the 'old' state – the ultimate guarantor of US political and economic interests for more than half a century.

The most immediate goal of the revolutionary leadership was to forge a new state while allocating regime positions to liberals and conservatives. The pro-capitalist orientation of senior economic officials in the first Castro cabinet and the decision to confine the first nationalizations to the local propertied class encouraged some US officials, especially in the State Department, to hope that it might be possible to foster the growth of a 'manageable' Cuban political leadership. Initially, Washington pursued a dual approach: maintenance of diplomatic relations to facilitate communication with those forces inside the Cuban regime and society opposed to social revolution; and hostility to any program of large-scale social and economic change. But despite the allocation of key cabinet posts to conservative ministers (only six of the seventeen cabinet appointees were actively involved in the urban resistance and only three were members of the guerrilla movement), Castro did not transfer to this body the substance of political power.

In his role as commander-in-chief of the rebel army, Castro set about organizing a new state independent of the cabinet and anchored in the urban and rural working class. New military and security forces were created based on armed popular militias; the bureaucracy was remade from top to bottom to make it capable of responding to class-anchored demands. As the process of state transformation gathered momentum, US influence further dissolved. The new coercive apparatus, for instance, terminated long-established relations between the CIA and the Batista military state. The revolutionary regime also eliminated traditional US points of access into Cuban society by eliminating or eroding the power of historic collaborator groups such as the church, sectors of the labor movement, and the network of professional and employer organizations of the bourgeoisie: sugar mill owners, sugar cane growers, cattlemen, industralists, lawyers. By mid 1960, the post-revolutionary struggle for power had been decisively resolved in favor of the revolutionary leadership rooted in an organized social force (workers) and with a monopoly of the means of coercion (popular militias) over a politically immobilized pro-USA bourgeoisie that was incapable of responding organizationally or militarily to revolutionary initiatives. Furthermore, few of the 'responsible' cabinet ministers still retained their posts. Almost all of the ministries were now staffed by former guerrillas or Castro's close civilian supporters. The fit between revolutionary regime and revolutionary state was complete.[7] The post-revolutionary conflict between the liberal regime and the revolutionary state was resolved in favor of the latter.

Operating within the state/regime framework, Washington unsuccessfully sought to dump the Batista dictatorship to save the state, in order to prevent the revolutionary forces from replacing it. Washington's belated recognition of the growing strength of the Castroist movement, the US policymakers' disagreements over the Batista regime, and the Cuban dictator's control over subordinate military officers undermined Washington's capacity to dictate the process of political transition. In the conflict between the US-backed regime and the revolutionary state after 1959, the latter imposed its will, forcing Washington to attempt to restore the old order through a concerted military, economic and political offensive which largely failed.

Dominican Republic

By early 1960 a combination of the Trujillo regime's repressive political rule and the need to avoid 'another Cuba' forced the Eisenhower administration to seriously contemplate ways of accelerating a change of government in the Dominican Republic. In April, the President approved a contingency plan in the event the situation deteriorated to a point where US permanent interests were threatened:

> the United States would immediately take political action to remove Trujillo from the Dominican Republic as soon as a suitable successor regime can be induced to take over with the assurance of US political, economic and – if necessary – military support.[8]

Throughout the latter part of 1960, Washington applied diplomatic and economic pressures on Trujillo in an unsuccessful effort to get him to voluntarily relinquish power. This preoccupation with the possibility of a second revolutionary regime and state in 'America's lake' carried over into the Kennedy administration. A National Security Council meeting of 5 May 1961

> agreed that the Task Force on Cuba would prepare promptly both emergency and long-range plans for anti-communist intervention in the event of crises in Haiti or the Dominican Republic. Noted the President's view that the United States should not initiate the overthrow of Trujillo before we knew what government would succeed him . . .[9]

Three weeks later, a group of Dominican dissidents with ties to Eisenhower and Kennedy officials assassinated the country's dictator.

Taking advantage of Trujillo's murder, the White House moved quickly in two directions: to ensure the end of the Trujillo political

dynasty (regime) but the survival of the Trujillo military establishment (state). Initially, Washington sought to promote a political coalition of army officials, ex-Trujillistas, Ramfis Trujillo and moderates to contest a future election.[10] The failure of this strategy, and the likelihood that the social reformist Juan Bosch would triumph in an open and honest election, led the US government to refocus its efforts on reconsolidating the power of the Trujillista state. During 1962, the Pentagon provided intensive training for three companies of counter-insurgency troops and the US military mission pressured the National Police to increase its ranks from 3,000 to 10,000 members.[11] In other words, Kennedy's policy was based on a civilian regime and a Trujillista state. Against this background, Bosch won a sweeping electoral victory in December campaigning on a platform of moderate social and agrarian reforms and civil liberties. He drew most of his support from the urban working class, the urban poor, and the peasantry.

Seven months after his inauguration as President in February 1963, Bosch was ousted from office by the Trujillista army and police forces under the leadership of General Wessin y Wessin in alliance with the economic oligarchy who opposed the reformist programs, especially the new constitution detailing the rights of urban and rural workers and changes in the agricultural sector. The coercive apparatus of the 'old' state – refurbished and expanded at the behest of Washington – had overthrown the elected regime. In its place, the military installed a civilian triumvirate, representing a cluster of right-wing parties and headed by Donald Reid Cabral, an oligarch with close links to the US business community, as the new 'regime'. Reid Cabral proceeded to terminate the Bosch economic and social legislation and the reformist constitution, savagely cut public works spending, opened up the economy to US investors, and allowed American agricultural enterprises to break wage contracts signed during the Bosch interregnum.[12] The result was a massive decline in living standards and a resurgence of support for the Bosch era among the urban and rural masses. Even though US Embassy public opinion polls in the Dominican Republic during 1964 and early 1965 revealed that the triumvirate had no popular support, the Johnson administration continued to give its unquestioned backing to the Reid Cabral leadership.[13]

Growing popular opposition to the military-dominated regime ultimately fused with an internal upheaval in the armed forces in April 1965 to produce a social revolutionary challenge to the Dominican regime and state. A revolt by a group of military officers led by Captain Manuel Peña Tavera against armed forces corruption detonated an armed urban mass insurrection in Santo Domingo in support of a return from exile of Juan Bosch, the 1963 constitution, and new elections. Constitutionalist

military forces led by Colonel Francisco Caamaño and thousands of armed civilians raised the specter of a mass insurrection spreading throughout the country. Within hours of the army-worker takeover of the capital city 'the people of the cities in the interior in turn emerged from their torpor'.[14] The day the revolution began (25 April), a senior Embassy official telegrammed the State Department: 'All members of the Country Team feel Bosch's return and resumption of control of the government is against US interests in view of extremists in the coup and communist advocacy of Bosch return.'[15]

What catalyzed Washington into decisive action was the Constitutionalist military success over the rightist 'loyalist' forces of Wessin y Wessin which signalled the overthrow of the Trujillista state. Determined to restore the 'old' state and smash the mass social revolutionary movement, the Johnson White House unilaterally sent 23,000 US marines into the Dominican Republic to 'restore stability and order' and the authority of the rightist military faction. Having crushed the popular insurrection, the USA then 'negotiated' with the Constitutionalists to impose a provisional government led by a civilian, Hector García Godoy. Having restored the power of the Trujillista military state, Washington then proceeded to lay the foundations for a return to electoral politics. During the period of the provisional government (April 1965 to June 1966), the popular forces were demobilized, the Constitutionalist military demoralized, hundreds of leaders of the mass insurrection were assassinated, and US marines and other foreign military forces remained on Dominican territory. In this context, the USA moved to provide the illusion of a legitimate political contest, convincing Juan Bosch to declare his candidacy even though Washington, together with the oligarchy and the rightist military, actively supported the conservative former Trujillista politician Joaquín Balaguer.

The election produced an overwhelming victory for the US candidate Balaguer – an outcome determined by the events of the first day of the revolutionary upheaval and the US military occupation. During the election campaign, the 70 per cent of the population in the rural areas were under virtual military occupation and only Balaguer was in practice permitted access to the voters. Bosch had limited organization and funds, minimal access to the media, and hardly left his home to campaign due to fear of assassination. Military power and military intimidation of the electorate produced a Balaguer victory.[16] The more important result of Washington's intervention was to restore to power the state apparatus that was perceived as critical to the long-term survival of US permanent interests in the Dominican Republic. Whereas the Kennedy administration had intervened in the early 1960s to change the regime and sustain the state that served US

interests, the Johnson administration in the mid 1960s intervened to change the regime and overthrow the state perceived as hostile to US interests.

The Balaguer regime opened up the economy to foreign capital; froze wages; eliminated price restraints; and sought to demobilize and atomize the politicized urban population through a ban on public meetings, restrictions on political party activities, prohibitions on strikes, and constraints on union activity. Moreover, it confirmed in power all the Trujillista military officials the USA had rearmed and reorganized, and dismantled the Constitutionalist army leadership. Large numbers of politically active workers were discharged from private and state enterprises. The selective terror and incarcerations of Constitutionalist leaders practiced under the provisional government of García Godoy continued unchecked. The police state legislation, the anti-working class measures, and the newly established totalitarian state agencies were approved and to a large degree drawn up by US advisors who were located in every major government ministry and state institution (economic, financial and military) in policymaking positions. In Washington, the Johnson administration moved swiftly to consolidate the client regime and the externally oriented state through new economic and military assistance programs, including an increase in the Dominican Republic sugar quota to the US market and sixty Pentagon counter-insurgency and riot control specialists to train an elite sector of the country's armed forces.[17]

The Dominican Republic illustrates the centrality of the state-regime distinction in shaping US policy responses to political change. In the face of a growing social movement and following the distinction between regime and state transformation, Washington supported the ouster of Trujillo to save the state. In the subsequent conflict between the democratic Bosch regime and the client Trujullista state, Washington sided with the latter. During the popular insurrection Washington intervened militarily to protect the authoritarian state, and then supported the election of a former Trujillista civilian. In this complex pattern several threads appear: Washington defended by all means possible, including a marine invasion, the restoration of the client *state*, thus demonstrating its inflexible support for defenders of its permanent interests. At the same time, Washington demonstrated its flexibility toward regime changes by alternating support for the Trujillo military dictatorship for three decades, the elected nationalist Bosch regime for several months, and the post-intervention Balaguer regime, all of which adapted to hegemonic definitions of reality.

Nicaragua

In 1978, after more than four decades of support for the Somoza family dynasty in Nicaragua, the threat to the state (and hence to US permanent interests) posed by a popular revolutionary movement led by Sandinista guerrillas forced Washington to adopt a position in favor of supporting a change of regime. The mass-based challenge to the regime *and* the state (specifically the National Guard) was decisive in shaping the Carter administration decision to dump a longstanding client.

The outbreak of national insurrection and the overthrow of the Somoza dictatorship in July 1979 was the culmination of a decade of social and class struggle in the cities and the countryside under the leadership of radical nationalist guerrillas. Although the anti-regime movement was composed of multiple class participants, control of the movement decisively shifted to the Frente Sandinista de Liberación Nacional (FSLN) after the failure of the January 1978 bourgeois-led general strike to topple Somoza. Between the insurrectionary upheavals of September 1978 and May 1979, the Sandinistas consolidated their leadership role by establishing a unified high command and undertaking a concerted effort to organize and arm popular militias, workers' organizations, and civil defense units in the major population centers. During June and July, these forces, in alliance with the guerrillas, took control of virtually all the provincial cities in preparation for a successful military offensive against the National Guard and the rest of the Somoza state in the capital city of Managua.

Between January 1977 and mid 1978, Carter administration policy toward Nicaragua was confined to a cutoff of military aid and diplomatic pressure on Somoza to talk with, and make concessions to, the most conservative business and political sectors of the opposition. But the renewal of high-level social class struggle in August–September 1978 forced the White House to reorganize the decisionmaking apparatus in an effort to get on top of events in Nicaragua and anticipate and shape their direction. The outcome was a US-sponsored plan to mediate a political solution between Somoza and the moderate-conservative opposition. Washington hoped the mediation strategy would achieve four interrelated objectives: to contain what Secretary of State Cyrus Vance described as the 'increasing radicalization' of the population;[18] to force Somoza's voluntary resignation from office; to produce a new anti-Sandinista coalition regime; and to ensure the survival of the National Guard and the rest of the coercive apparatus of the state, thus 'avoiding a radical outcome inimical to our interests'.[19] Washington's ability to promote a successful outcome, however, was complicated, and ultimately undermined, by Somoza's obstructionist

behavior. In early November, the mediation tottered on the brink of collapse. Following a Somoza speech attacking the USA and the civilian opposition, Ambassador Mauricio Solaun cabled the State Department that 'if his words are to be believed, he is committed to resisting outside pressure and hanging on to power at all costs'.[20] The client kept throwing up roadblocks to each of the mediators' proposals and insisted that he would not abandon power voluntarily before his term expired in May 1981. Assessing the mediation's failure, Assistant Secretary of State for Inter-American Affairs Viron Vaky admitted that the Department had not anticipated Somoza's 'fundamental rigidity' or his decision to string out the talks 'to gain time in the belief that he could strengthen the National Guard and simply hold on'.[21]

The demise of the mediation experiment led the US government to discontinue its pressures on Somoza during the first quarter of 1979 in the belief that the threat of mass insurrection had passed and that the conservative-business opposition was incapable of bringing about a change of regime. However, a new wave of insurrectionary struggle detonated by the Sandinistas in late May 1979 finally convinced the Carter White House that Somoza's days were numbered and that urgent action was necessary to prevent an FSLN capture of political and state power. Attention was renewed on ways of pressuring the client to leave office. In early June, the inter-agency Policy Review Committee recommended to the President a proposal for a regional military 'peacekeeping' force to oversee any political transition 'provided that Somoza's departure was joined to it'.[22] In its quest for a post-Somoza government that included 'preservation of existing [state] institutions, especially the National Guard', [23] the White House authorized further consideration of the military interventionist option but emphasized that it could not take place without OAS support – which was not forthcoming as Washington discovered in suffering its most decisive and embarrassing diplomatic defeat in the organization's thirty-year history.

Meanwhile, US Embassy officials were meeting almost daily with Guard military leaders and conservative and moderate political 'influentials'. In the event of a dialogue between the principal opposition forces about the establishment of a 'Government of National Reconciliation', they urged 'the moderate groups [to] position themselves to emerge as independent participants' and not align with the newly created FSLN provisional junta.[24]

At his inaugural meeting with Somoza on 27 June, American Ambassador Lawrence Pezzullo spelled out Washington's three major policy objectives: to ensure 'that the Guardia did not collapse', to establish a new regime dominated by conservatives and moderates; and to contain the FSLN as a significant political force. The success of this strategy

depended on Somoza's preparedness to resign and go into exile at a time of the USA's choosing. The client responded by seeking to condition his departure on firm guarantees regarding the National Guard and his Nationalist Liberal Party (PLN).[25]

In the final analysis, however, Carter policymakers believed that only the survival of the National Guard could limit the process of change in post-Somoza Nicaragua within acceptable boundaries. To this end, they assiduously cultivated ties with the Pentagon-trained junior officers, encouraging them to remain in the country and maintain the institution's role as a bulwark against radicalism and guarantor of US permanent interests.

In a last gasp effort to change the regime and preserve the state, Washington organized a major diplomatic offensive both inside and outside Nicaragua. The former centered on attempts to develop a 'credible caretaker' government as an alternative to the FSLN's provisional junta. It failed due largely to the refusal of the moderate political and business leaders to lend their support to any transition scheme that denied the Sandinistas a role commensurate with their contribution to the anti-dictatorial struggle. On a regional level, the State Department endeavored to mobilize support, especially among pro-FSLN governments, for pressuring the guerrillas to expand the membership of the provisional junta, moderate their political program, and accept the continued existence of a reformed and restructured National Guard. Limited sympathy for Washington's aims was insufficient to produce the desired result. Moreover, the moderate political leaders in Managua declared their unwillingness to join the provisional junta except at the express request of the Sandinista leadership.[26]

As the political-military crisis approached its climax, Washington continued its frantic efforts to ensure a future for the National Guard. In mid July, Secretary of State Vance instructed the Embassy to tell Somoza that his failure to leave the country within the next forty-eight to seventy-two hours 'will render our capacity to establish an orderly change impossible . . .' The dictator 'appeared to accept this argumentation' but persisted in his concern over the lack of 'guarantees' for the Guard and the PLN.[27] Somoza's persistent refusal to offer iron-clad commitments to act in accord with US policy during 1978 and 1979 generated considerable irritation in Washington that reached its zenith when word leaked of his secret trip to Guatemala on 13 July in an unsuccessful attempt to convince the CONDECA (Central America Defense Council) countries of El Salvador, Honduras and Guatemala to send troops to fight the FSLN and enable his dictatorial regime to hold onto political power.[28]

On 17 July, Somoza fled Nicaragua and US policymakers confronted the worst possible transition outcome: the total collapse of the old

regime and state and the accession to power of a mass revolutionary movement hegemonized by Sandinista guerrillas. Carter policy lay in ruins, a casualty of Washington's failure to gain regional support, the refusal or inability of internal allies to contest FSLN power, Somoza's intransigence and refusal to behave like a passive client, the limited time constraints within which US policymakers were operating, and a shift in the balance of military power in favor of the FSLN during the final weeks of the conflict.

In the post-revolutionary period, the Carter administration elaborated a new strategy based on a conditional accommodation to the political transition, maintenance of the lines of diplomatic communications with the revolutionary regime, and exploiting its access to the regime and economy to apply pressure on the state. Aware that revolutionary power was concentrated in the state, the Carter White House embarked on a program to politically support the non-Sandinista bourgeois sectors in the regime and the mass civic organizations and financially bolster the private sector in the hope of weakening and dividing the revolutionary forces to the point where they would relinquish state power. The Reagan administration subsequently jettisoned the 'regime against state' strategy in favor of a two-pronged strategy to destroy the revolutionary state: economic destabilization and the recomposition of the Somoza state, specifically former National Guardsmen, as a counter-revolutionary army. Like Carter, Reagan also defined the Nicaraguan state as the locus of power and acknowledged its domination by the revolutionary forces. He, however, was completely uninterested in such questions as democracy, political pluralism and elections under Sandinista rule. The singular objective was to overthrow the state by force and to reconstitute it (and the regime) in the image of US permanent interests in Nicaragua.

The Nicaraguan case illustrates the centrality of the state/regime distinction in shaping policy for all US administrations, Democratic or Republican. The critical factor forcing a shift in US policy from longstanding support for the Somoza dictatorship to promoting its eventual ouster was the growth of a revolutionary social movement threatening the National Guard – the state apparatus defending permanent US interests. Washington's failure to forge an alliance between conservative civilian opponents and the National Guard was due to imperfect timing (Carter's policy of pressure and reconciliation with Somoza during the period 1977–1979) and the divergent perceptions of interests between the USA and Nicaragua. The latter saw its ties with the USA as part of a strategic relationship, while Washington, faced with a challenge to the state, perceived its ties with the Somoza regime as tactical, and was willing to sacrifice the dictator if it became

necessary to save the state. Washington's incapacity to dump Somoza resulted from its inability to develop horizontal ties with sub-regime officials. Conversely, Somoza, by monopolizing all ties with the USA, was able to retain hierarchical discipline over the military and block any US-organized coup. Having lost the opportunity to block the transformation of the state, Washington proceeded, as in the case of Cuba, to reorganize the defeated remnants of the old state apparatus as a counter-revolutionary army in alliance with dissident conservative civilian politicians. Reagan belatedly constructed the prototype of the regime that Carter unsuccessfully promoted in the last days of the dictatorship: a civilian-military apparatus compatible with US permanent interests.

El Salvador

Carter administration policy toward El Salvador during 1979 and 1980 was directed toward a single overriding goal: preserving a client state. Through the crisis and demise of the Romero dictatorship, the political transition and the subsequent regime reshuffles, Washington's direct involvement in shaping the trajectory of Salvadoran politics was inseparable from its preoccupation with strengthening, and ensuring the survival of, the state. The hegemonic power kept recomposing the new regime to find the right 'mix' compatible with the state.

Between 1977 and 1979, the White House exerted diplomatic and economic pressures on the regime of General Carlos Romero to force a diminution in widespread human rights abuses by the armed forces in collaboration with the death squads – but to no avail.[29] The overthrow of the Somoza regime *and* state in July 1979 by a mass democratic social movement led by radical nationalist guerrillas accelerated State Department efforts to convince Romero and the military high command to institute limited reforms and advance scheduled 1982 elections to a much earlier date or risk a possible replication of the Nicaraguan upheaval. In return for a dialogue with the moderate-conservative opposition, an end to state-authored repression, and some non-structural socioeconomic changes, Washington offered to provide increased economic and military assistance.[30] However, in October 1979, a group of junior army officers who attributed the collapse of the Somoza National Guard to 'repression without reforms' spearheaded a successful coup against Romero. Although the USA had remained prepared to work through Romero in an effort to promote reforms, it responded positively to the coup precisely because the regime change had eliminated the chief symbol of the terror but the government and state still remained under

military control and the left still remained isolated from the centers of power.

The October coup created an opportunity for the Carter administration which immediately sought to forge a civilian-military coalition, composed of reformists and rightists, in the hope of producing a political as well as a military solution to the Salvadoran conflict. The governing junta consisted of Colonel Adolfo Majano (reformist military), Colonel Jaime Gutiérrez (rightist military), Román Mayorga (civilian liberal) and Guillermo Ungo (civilian social democrat). Washington's aims were fourfold: to preserve the state and the power of the military; to divide the civilian opposition and limit the power of the reformist army officers within the regime; to enable the state and regime to control and demobilize the popular movement; and to maintain the capitalist economy. As a result, US officials refused to pressure for any major changes in the state (military and police), opposed representation of the mass movement and popular organizations in the regime, and sided with the dominant rightist military forces who rejected any accord with the guerrillas. This strategy provided the basis for a dramatic increase in terrorist activities by the security forces and the death squads. The increased visibility of reformists within the new regime was accompanied by a greater state repression of the social movements.

During the first post-Romero junta, all of the senior command positions within the coercive apparatus of the state were assumed by extreme rightist officers.[31] Meanwhile, the USA did little to contribute to the junta's survival or encourage reforms. American Ambassador Frank Devine maintained closer ties with the military than with the civilian members of the junta, and during November–December 1979 Washington sent riot control equipment and technical advisors to help the security forces control the left and reprogrammed $300,000 for military training purposes.[32]

In late December, the moderates and social democrats in the regime threatened to leave en masse unless their decisionmaking authority was enhanced. At a showdown meeting on 27 December, the senior military commanders rejected a cluster of civilian demands, leading junta members Ungo and Mayorga, approximately forty senior government officials, and ten of the eleven cabinet ministers (the exception was Defense Minister Colonel Guillermo García) to resign their posts, acknowledging their ineffectiveness and inability to generate support for social and economic reforms in a situation where they could not control the state (the armed forces and their death squad allies).[33]

The Carter response to the collapse of the regime in January 1980 was revealing of the administration's priorities. Instead of siding with

the civilian proponents of change, Washington set about brokering an agreement between a conservative group of Christian Democrats and the rightist military to form a second junta and maintain the illusion of civilian authority. Such was the hegemonic state's determination to establish a civilian regime congruent with, but prepared to subordinate itself to, the terrorist state, the vehicle for defending US permanent interests in El Salvador.

Having revamped the regime, Washington announced increases in military and economic assistance, initiated discussions with Christian Democratic junta members about creating the conditions for pursuing a 'clean counter-insurgency war',[34] sought to promote an agrarian reform in order to weaken the left and create a social base of support for the regime, and encouraged the armed forces to institute reforms to make it a more professional and effective fighting force. But while the White House actively supported the counter-insurgency struggle and submitted a $6 million request for 'non-lethal' aid (jeeps, communications equipment, and so on) to Congress, it refused to tolerate rightist military-oligarchy coup plotting in February on the grounds that any such move would almost certainly halt the flow of Congressional funds for both the regime and the state. This particular coup failed to materialize due to a combination of US economic and political pressures and divisions within the military leadership.[35]

Meanwhile, the security forces and death squads accelerated their terrorist activities in the countryside, especially in those areas targeted by the regime for agrarian reform. The continuing savagery of the counter-insurgency war provoked the resignation of three civilian cabinet ministers at the end of March, a split among the Christian Democrats, and mass resignations by senior party officials and rank-and-file members over the decision by the Duarte clique to participate in the formation of a third junta in alliance with the military and paramilitary architects of the terrorist state.

In May, Washington once again responded to reports of rightist military coup planning with statements that it simply did not accord with US strategic objectives in El Salvador. The newly arrived American Ambassador Robert White bluntly told the army high command that a coup would result in the complete termination of the Carter administration's aid program.[36] Because the strategic interest of the White House and the State Department was in protecting the Salvadoran state and securing Congressional and public support for the US aid program to promote class warfare against the mass-based social movement, they opposed rightist military coups that wanted to change the regime as endangering these efforts. Whereas a military regime was viewed as a liability, a civilian-led regime (irrespective of its figurehead status)

constituted an asset in the administration's effort to sustain funding and domestic support for the terrorist Salvadoran state and its prosecution of a violent counter-insurgency campaign against the mass of the population.

During 1980, the US government used a civilian regime controlled by the military in El Salvador to support a brutal counter-insurgency struggle that produced over 13,000 deaths – most at the hands of security forces, police, and death squads, and most civilian noncombatants. To further its goal, the Carter administration continued to describe the regime as reformist and moderate, caught between the 'extremes of left and right', and to argue that the state was separate from and unable to control the death squads, despite overwhelming evidence to the contrary. What this revealed was the paramount importance Washington attached to obliterating the mass movement, preventing social revolution, and consolidating the state as the ultimate guarantor and defender of US permanent interests in El Salvador.

El Salvador is an excellent illustration of the distinction that Washington makes between regime and state changes. Faced with a massive revolutionary social movement, Washington supported the overthrow of the Romero military regime in October 1979 and its replacement by a civilian coalition. The conflict between the first reform coalition regime and the US-backed state led to the defeat of the former and its subsequent replacement by a civilian electoral regime compatible with the state and US permanent interests: the Carter White House was able to control the process of political change because of its ties with sub-regime-level military officers who were able to oust the military incumbent. Moreover, the Reagan administration's subsequent multi-billion dollar military and economic aid commitment, accompanied by the threat of direct military intervention, reflect Washington's rigidity in resisting state changes. The imperial state's willingness to support civilian electoral regimes operating within the parameters of the existing state structures reveals its tactical flexibility in pursuit of strategic goals. In this case the electoral process and the civilian regime are crucial ingredients in securing congressional assent for large-scale, sustained funding to support the state as the ultimate guarantor of US permanent interests. The shifts from military dictatorship to civilian electoral regimes demonstrates Washington's flexible approach to limited political change, while its massive and ongoing support for the client military groups reflects its rigid commitment to defending the continuity of the state.

Guatemala

The Guatemalan military regimes of Rios Montt (1982–83) and Humberto Mejia (1983–85) were among the most violent in recent Latin American history. The armed forces collaborated with rightist death squads to physically destroy political opposition in the cities and wage an escalating counter-insurgency war in the countryside. Workers' organizations were decimated and thousands of civilian noncombatants were killed. The Reagan administration response was to describe these terrorist regimes as valued allies; human rights abuses were of minimal concern when set against the military's free market economic policies, its virulent anti-communism, its support of US regional goals and the fact that it was combating a guerrilla movement with a growing popular constituency. In 1982, the USA stopped voting against multilateral development bank loans to Guatemala on human rights grounds; in 1985, Congress was successfully pressured to lift all restrictions on military aid to the Central American country.

The major problem for the military regimes, however, was that the successes against the guerrillas were not matched by similar gains in the economic sphere. Since 1980, massive capital flight, declining foreign investment and foreign economic assistance, falling tourist dollars, and declining export earnings due to a combination of a drop in world prices and global recession produced rising inflation and unemployment, pre-1954 real wage levels, and a foreign exchange crisis. The economic debacle presided over by the armed forces was exacerbated by high military budgets and the absence of pressures for concessions from the oligarchy.

Against this background of a deteriorating economy and an abysmal reputation abroad, and encouraged by the Reagan administration, the military opted for a return to civilian rule. Both Washington and the army leadership reasoned that this strategy offered the best possibility of revitalizing the economy and financing a continuing anti-guerrilla war by encouraging new large-scale infusions of foreign capital. Elections would offset those factors (human rights abuses, military rule, political instability) viewed as inhibiting economic recovery. The hegemonic state and its Guatemalan allies viewed the October 1985 presidential elections as a means of effecting a regime change for economic purposes but without eroding the power of the military state or weakening the existing class linkages to the USA. The generals conditioned a transition on the retention of a political and administrative structure that would give the armed forces veto power over the new civilian government. During the election campaign, General Mejía began to define the limits of civilian authority by remarking that it would be a mistake if the new president

decided to investigate past human rights abuses by the military.

From Washington's vantage point, the elections produced the best possible result. On the one hand, the victorious Christian Democratic Party had little or no history of involvement with the depredations of military rule and the new president Vinicio Cerezo espoused the rhetoric of human rights and advocated an economic development program based on foreign investment, export promotion, limited regulations, no price controls and freeing the market. On the other, the civilian regime was prepare to accommodate, and collaborate with, the terrorist state structure, the oligarchy, and the foreign multinationals. In the process, the regime facilitated efforts by Washington to bolster the authority and power of the armed forces while deflecting criticism of this coercive state by the US Congress and West European governments. In sum, the Reagan White House got a regime that revealed a new, more acceptable, image of Guatemala to the world, that supported basic US interests, and that allowed Washington to maintain, and even expand, its ties to the military state.

The essential feature of the political transition is that it took place on terms established by the armed forces: no let-up in the counter-insurgency program; army control over foreign policy, rural development policy and all security matters; no prosecution of military officials for human rights abuses; and no socioeconomic reforms that threatened the position of the oligarchy. During his first year in office, Cerezo hewed to the course laid down by the generals. He selected a new Defense Minister from among the ranks of senior army officers. He refused to dissolve the military's civil defense patrol system that had forced almost one million rural villagers to join paramilitary units. He buckled to army pressure in abandoning a public offer to dialogue with the guerrillas and in scrapping plans to name a civilian to head the National Police. And no attempt was made to overturn the Mejía regime's amnesty decree preventing indictments against army officials accused of terrorist activities.[37] 'Cerezo recognizes the breaking points,' a Western diplomat pointedly observed in March 1987. 'He can't appoint generals, he can't set budgets, he can't do anything with the Army.'[38] But, of course, Washington did not promote the transition to a civilian regime to weaken the power of the military state. On the contrary, it manipulated the Cerezo regime to preserve and enhance the power of the state in defense of its own permanent interests in Guatemala.

Nonetheless, the White House and the generals deemed the shift to an electoral-civilian regime a great success insofar as it achieved three priority objectives. First, it demonstrably improved Guatemala's image throughout the Western world. Cerezo retained his status as a reformist leader and an advocate of human rights despite the persistence

of army death-squad political killings and disappearances of trade unionists, peasants demonstrating for land reform, teachers and students during the first year in office (although there has been a relative decline in comparison with the prior period of military rule).[39] Cerezo failed to prosecute the architects of the terror but he continually denounced such actions and no responsibility for the violence attached to the regime. Second, the civilian regime did not seek to enact major reforms in agriculture, banking or commerce. Instead of confronting the oligarchy and foreign investors, Cerezo adopted an economic approach that disproportionately benefited the existing centers of wealth. While his original economic plan envisaged a labour-capital collaboration, the application of the plan during 1986 increasingly favored capital at the expense of labor and the popular sectors – producing growing economic discontent leading to peasant land invasions, urban worker strikes for wage demands, price controls and union recognition, and a deepening political crisis over the failure of the regime to accommodate the demands of its social base.[40]

Third, and perhaps the most important achievement of the transition to a civilian regime from the military/oligarchy and US perspective, was the ability of Cerezo to secure new commitments of large-scale economic assistance from abroad and to negotiate a debt restructuring with the country's foreign creditors. During 1986, US economic assistance totalled $104 million, loans and grants from West European governments and the European Economic Community were around $300 million, the Inter-American Development Bank provided an additional $40 million, and the Cerezo government successfully rescheduled most of its $40 million in short-term debts maturing during this twelve month period. As a result of these developments, the level of foreign currency reserves increased from less than $8 million in 1985 to $484 million in September 1986.[41] Further improving the possibilities for economic recovery, in May 1987 the USA pledged approximately $133 million in economic assistance for the current fiscal year, and the World Bank and the Inter-American Development Bank tentatively promised combined loans amounting to $365 million.[42]

Meanwhile, Washington continued to promote the power of the state, especially its coercive apparatus, by appropriating $5.1 million in military aid in 1986 even though Cerezo had only requested $1 million, thus reinforcing the parameters within which the regime could operate and ensuring the long-term security of permanent US interests in Guatemala.[43]

Guatemala illustrates Washington's support for regime change and continuity in the state apparatus. The immediate impetus for regime change was not an imminent political challenge but the military regime's

profound economic crisis and the desperate need for outside economic assistance. The genocidal policy of extirpating entire villages had temporarily contained the revolutionary challenge to the military but had isolated the regime in the international community. The shift to the civilian Cerezo regime was perceived in Washington as an excellent mode of securing international economic assistance and strengthening the state. Washington and its military counterparts were able to control the process of regime change because the timing was propitious: elections were held after the defeat of the guerrillas and the demobilization and decimation of the radical social movements, similar to the Dominican experience of 1966. The process was aided by the synchronous perceptions between US policymakers and the Mejía military regime: there was sufficient flexibility among the military commanders-in-chief to accommodate a shift in regime as long as they retained control over the state apparatus.

Washington's uncompromising and uncritical support for the Cerezo regime, despite large-scale and continuing human rights violations by the state, supports the interpretation which argues that US policymakers favored a shift from a dictatorial to an electoral regime primarily as a mechanism for preserving the state, and not as a mode of promoting democratization and the values that accompany it.

Haiti

The overthrow of the Duvalier regime in Haiti on 7 February 1986 was preceded by almost two years of large-scale popular protest and rebellion in the major provincial cities that combined economic and political demands. The epicenter of the unrest was the southern town of Gonaives. 'In May 1984,' writes James Ferguson, 'riots had spontaneously broken out in Cap Haitien and Gonaives as the poorest inhabitants of these towns demanded food and political freedoms.' These uprisings signalled the beginnings of a sustained and ever-expanding provincial opposition to the dictatorship which culminated in a new round of anti-regime demonstrations in Gonaives in October–November 1985. By mid December, a 'state of seige' existed in at least ten provincial cities.[44]

The Duvalier response to this mass movement actively supported by the Catholic church was invariably a resort to armed force and the repressive solution. Such was the level of violence perpetrated by the military that even Washington began to distance itself from the regime. Although the State Department had certified to Congress in October that Haiti was making progress in human rights, and gained release of $57.3 million in aid to Duvalier,[45] by the year's end it was criticizing the regime for

an excessive use of force against the opposition and threatening an aid cutoff if it continued. By December, notwithstanding a cabinet restructuring and the dismissal of several police officials, the Reagan administration concluded that Duvalier's authority was 'slipping in a way we had not seen before' and proceeded to lay the 'groundwork' for his departure through a series of messages and other indications of the withdrawal of US support.[46]

During the first two weeks of January 1986, the biggest mass revolutionary protest of the anti-Duvalier struggle began in Gonaives and spread rapidly to at least four other large provincial cities. 'This second wave of rebellion was . . . more obviously revolutionary in complexion, replacing abstract demands for justice and freedom with direct attacks on the regime.'[47] Middle-class businessmen and professionals and students joined the church, poor peasants and urban slum dwellers to form a mass-based insurrectionary movement. The regime bloodily put down the protests, rushing troop reinforcements to all the major centers opposition. In Cap Haitien, the army violently dispersed 'several thousand demonstrators [who] openly confronted troops and police in the largest expression of defiance yet seen'.[48]

Amid this nationwide upheaval, the Reagan administration officially informed the Haitian government that it was suspending a $26 million aid package and would not certify human rights improvements in its latest report to Congress. US officials also informally told 'friends of Duvalier' that 'it would be a good idea' if he left office. At the same time, the State Department and the American Embassy in Port-au-Prince were busy conferring with prominent conservative-moderate figures from the Haitian opposition about 'the conditions for eventual US support'.[49] In other words, Washington was now pressuring Duvalier to relinquish power and simultaneously advising 'acceptable' civilian and military figures regarding the formation of an interim regime. The pro-American Prime Minister of Jamaica, Edward Seaga, played a key role in the effort to convince Duvalier to step aside and in 'reinforcing the US message [to selected opposition leaders] of the most effective way to put together a new government'.[50]

By January 1986, Washington began to interpret the growth of a massive anti-Duvalier movement as not only a potential threat to the survival of the dictatorship but also to the state structure upon which it was based. Only by ousting Duvalier and imposing an acceptable civilian regime willing to work with the armed forces, the US reasoned, could it avoid the prospect of a popularly based democracy, a structural transformation of the economy, and a consequent undermining of its permanent interests. For its part, the Haitian military withdrew its support from Duvalier for a mix of reasons, including the opportunity

to eliminate the Tontons Macoutes which it viewed as a parallel competitor military force.

The new interim National Council of Government (NCG) that succeeded Duvalier was dominated by the armed forces. The nominal head of the NCG was Lieutenant Henry Namphy, Duvalier's army Chief of Staff who, according to one US official, was 'well regarded in Washington'.[51] Colonel Williams Regala, appointed Defense and Interior Minister, had a history of close ties to the Duvalier secret police during the previous two decades. Colonel Prosper Avril was Duvalier's personal military advisor. Despite their high-level involvement in the terrorist dictatorship, the White House responded positively to the armed forces members of the NCG. 'There were a number of army people,' observed one State Department official, 'who frankly would have made us queasy if they had been chosen.'[52] The inclusion of two civilians provided the necessary facade of respectability.

Washington moved swiftly to signal its support for the military-dominated NCG. In late February, the $26 million aid package previously withheld by the State Department on human rights grounds was released. The following week, in response to an 'emergency' request from General Namphy, the USA provided hundreds of thousands of dollars' worth of riot control equipment, including rubber bullets, gas masks, tear gas, shotguns and two-way radios, for use by the army and the police.[53] Prominent American visitors to Port-au-Prince during these early months of the new regime included Assistant Secretary of State for Inter-American Affairs Elliot Abrams, UN Ambassador Vernon Walters, the Pentagon's Regional Security Director Brigadier General Fred Gorden, and the 'free market' economist Arnold Harberger. Officials from the American Institute for Free Labor Development also arrived in force to offer support to the conservative Federation of Unionized Workers and, in the process, weaken the influence of the liberal Independent Union of Haitian Workers. The State Department's Agency for International Development (AID) constituted the largest group of US personnel in Haiti. The AID staff were not only involved in relief work but also sought to promote private sector development, increase foreign investments and support a free market approach.[54] These efforts were immensely facilitated by the activities of the new Minister of Finance Leslie Delatour, a University of Chicago-trained economist, former World Bank official and AID consultant. At Delatour's urging, the NCG has pursued an economic approach based on austerity budgets, massive cuts in public spending, the dismantling of state-owned enterprises, and the elimination of import quotas. At the conclusion of a visit to Haiti in early April 1986, Assistant Secretary of State Abrams announced that the Reagan administration would seek additional economic and military

assistance for the interim military-controlled regime, declaring that 'a new democratic Haiti will need a new professional force to maintain order'.[55]

During the early months of the post-Duvalier era, the mass democratic movement responsible for ousting the dictator continued its protests and demonstrations, now against NCG efforts to slow down and limit the process of political and economic change. Although the interim regime formally disbanded the Tontons Macoutes, abolished the Duvalier constitution, dissolved the legislative chamber and freed the remaining political prisoners, these changes were more symbolic than substantive. The popular demands focused on a rapid return to civilian rule and the elimination of all Duvalierist influence from the highest policymaking circles of the new regime. These pressures forced the resignation of two prominent Duvalierist cabinet ministers (Commerce and Agriculture) in mid March, which even the State Department applauded as a 'constructive change'.[56] But despite 'show trials' of leading Duvalierists and Tontons Macoutes (forced on the NCG by the mass movement) there was broad-based dissatisfaction over what was viewed as a reluctance on the part of the regime to move vigorously against these groups. On 20 March the only NCG member with no ties to the old regime, Justice Minister Gerard Gourgue, resigned over the failure to prosecute human rights abusers and continuing Duvalierist influence within the ruling body. Subsequently, Namphy reorganized the NCG, firmly consolidating military political power. During the summer months, the reconstituted NCG actively worked to destroy a still embryonic trade union movement, siding with employers who locked out or fired thousands of workers over efforts to organize for improved wages and working conditions.[57]

Meanwhile, popular pressure for a return to democracy finally forced the NCG to announce a November election to be carried out under the authority of a constitutionally mandated independent electoral commission. However, in June 1986, only two weeks after the promulgation of the new constitution, General Namphy decreed that the Duvalierist-run Interior Ministry would take over the administration of the elections. This was suggestive of Namphy's ambition to combine his role as head of the NCG with that of President. His action precipitated a massive general strike which forced the NCG to back down and return control of the election preparations to the independent committee. Nonetheless, the armed forces continued to expand and consolidate their authority in other ways. In July, for instance, special tactical units were located in the provincial cities.

Worsening economic conditions detonated a new round of riots and demonstrations in October, supported by the Catholic bishops who

denounced the NCG's 'insensitivity toward the people's suffering'.[58] Only 5 per cent of eligible voters participated in October constituent assembly elections, reflecting the almost total political isolation of the ruling body. Reports surfaced of Tontons Macoutes participating in armed forces training exercises. Twelve months after the fall of the dictatorship many rural areas were still controlled by armed Duvalierists and Tontons Macoutes, who perpetrated serious human rights abuses with seeming impunity.[59] In mid November, a general strike supported by a broad coalition of political and trade union forces 'effectively paralyzed the country', leading Namphy to make further anti-regime mass mobilizations illegal.[60]

Despite the NCG political isolation at home, its determination to contain demands for large-scale social and economic change ensured it of continuing US support. American economic assistance doubled between 1985 and 1986; American military assistance during 1986 included weaponry and Pentagon advisors to train Haitian security forces.[61] The Reagan administration was intent on preserving the state and expanding the infrastructure of US influence. At the same time, Washington was preoccupied with the need for 'demonstration elections' to graft an electoral-civilian regime onto the 'old' state structure and thereby legitimate the transition in the eyes of Congress, thus guaranteeing a continued flow of economic and military assistance. The apparent failure to date of the armed forces to eliminate the Tontons Macoutes (which the USA views as part of a competitor state) and assume exclusive control over the coercive apparatus of the state, and the seeming interest of the head of state (Namphy) in becoming head of the regime, has created limited conflicts between the NCG and the hegemonic state. However, these have been subsumed within the larger US concern over how best to safeguard its permanent interests in Haiti over the long term.

Conclusion

US policy toward political transitions in the Third World has centered around the goal of securing regime changes in order to ensure the continuity of the state. Priority has always been accorded to the task of preserving the state – the fundamental guarantor of the hegemonic power's permanent economic, strategic and other interests – while issues of democracy and dictatorship have been secondary.

Precisely because the state shapes the long-term policies of a political system, Washington is willing to accept changes in a regime in order to preserve the continuity of the state, including accommodations between

elected civilian regimes and terrorist military states. At the same time, it consistently opposes, by military, economic and/or diplomatic means, political transitions that dismantle the existing state, particularly when the new state is organized to sustain a nationalist or anti-capitalist development project. US governments are willing to sacrifice long-standing Third World clients and accommodate a transition from dictatorship to civilian rule as long as the state structure (or, at a minimum, its coercive arm) survives the transition process intact. Successive administrations have attempted, with mixed success, to take pre-emptive action when mass democratic revolutionary movements have threatened client states. Pre-emptive policies seek to create opportunities for sectors of these opposition movements (which share the US view of the state) to form new regimes and thus ensure that the new government will collaborate with the existing state.

Our case studies demonstrate that US policy toward the state in the Third World has remained constant; toward the regime, variable. Whether we are discussing Eisenhower and Cuba, the Eisenhower–Kennedy–Johnson approach to the Dominican Republic, Carter's policy toward El Salvador and Nicaragua, or the Reagan involvement in Guatemala and Haiti, the thread that links them is a singular determination to preserve the state, together with a flexible approach regarding support for elected regimes or dictatorships.

Throughout both Republican and Democratic administrations, under conservatives and liberals, the state/regime distinction has been basic in explaining US foreign policy toward political change and socioeconomic reform. In almost all cases, the critical factor explaining US willingness to dump a dictatorial regime is its opposition to growing social movements from below which threaten to change the state as well as the regime. In a limited number of cases Washington may negotiate a regime change with an incumbent military ruler when a combination of internal economic crises and international crises weakens the capacity of the state apparatus to pursue its strategic interests.

As the cases of Nicaragua and Cuba illustrate, the USA is not always able to reshuffle regimes, either due to conflicts with regime clients or because of inadequate policy calculations. Washington's unremitting hostility to the Cuban and Nicaraguan revolutions and its willingness to accommodate political shifts to civilian regimes elsewhere are largely explained by the type of political change. Changes in state structures are perceived by Washington as challenges to its permanent interests. Changes in regimes within existing state configurations can be accommodated. The key issue in determining US policy is not principled support for civilian electoral systems or authoritarian-military regimes, but policy estimates in specific historical contexts as to the appropriate

type of regime to defend existing state institutions that support permanent US interests.

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PART III

Social Structure and Social Movements in Latin America

5

The Metamorphosis of Latin America's Intellectuals

In Latin America twenty years ago it was virtually impossible to find a leftist intellectual willing to accept financing from externally funded foundations. Today it is rare to find a researcher connected with any established institute who is not financed by one of the major or minor European or North American foundations. And for most of those who are not funded, it is not because they object but because they have not yet established the proper contacts or connections.

Origins of the Transformation

The dictatorships of the 1970s initially played a major role in changing Latin America's intellectual world. In the first place, military dictatorships killed or jailed many of the leading intellectuals, particularly those linked with social activists. Those who were jailed (and were fortunate enough to be released), exiled, or expelled from universities lost their principal source of income. Journals were closed; movements, trade unions, and political parties were decimated; and magazines and newspapers were shut down or heavily censored. The intellectual class was politically and economically vulnerable and increasingly disposed to accept external funding as a mode of survival.

On the other hand, due to the pressure of international public opinion (including human rights activists, the church, political parties, and so on), government aid agencies in Europe and Canada as well as private foundations in the USA increased their funding and liberalized their ideological criteria regarding potential beneficiaries in Latin America. Liberalized aid programs and regimes' purges of political institutions and

movements became the basis for the creation of a new intellectual world: the externally funded research center. For politically and economically vulnerable intellectuals, this was in some cases a lifesaver: ties to European government funding agencies or US foundations provided political protection and a steady source of income that allowed many to survive and pursue a broad array of research topics. The immediate results of this marriage between the liberal and social-democratic foundations and the vulnerable intellectuals all seemed for the good: while the universities and public institutions were being savaged, islands of rationality, science, and critical analysis continued to collect data and publish social scientific studies.

The larger, more established institutes were controlled and directed by center-left intellectuals who had developed associations and linkages with overseas funding sources from the late sixties and early seventies. The growth and success of these research centers led to the proliferation of a host of new institutes – a veritable alphabet soup of acronyms. A broad spectrum of writers, political intellectuals, and economic analysts joined the rush to obtain foreign funds. With the return of many intellectuals who had lived abroad, the number of institutes multiplied. Overseas the exiled intellectuals had in many cases received government or foundation funding and were in close collaboration with established social-democratic and liberal intellectual currents.

A direct connection was established between the institutional integration of the displaced Latin American intellectuals into the liberal/social-democratic welfare state and their increasing consumption of post-Marxist intellectual currents. Upon their return to Latin America, these overseas structural and ideological networks became essential ingredients in the further expansion of new institutes. These networks were crucial because the economic conditions within Latin America in the post-military period were highly unfavorable. The economic issues were particularly sensitive because the returning intellectuals experienced a sharp decline in standard of living in relation to what they had been accustomed to in Europe, Mexico, Venezuela, or North America.

In summary, the example of the economically successful established institutes, the leverage derived from externally based contacts, the unfavorable economic conditions in public universities, and the desire to cushion declining living standards – all these factors propelled the large influx of returned radical exiles into the increasingly competitive game of preparing proposals for external funding. Some research institute-oriented intellectuals were paradoxically aided by the deepening economic crises, which deepened the poverty and misery of the urban and rural poor, thus increasing political concern among external

funding agencies. Fearing a new wave of social unrest and a political challenge to incumbent liberal-conservative regimes (which might terminate debt payments), foundations poured new money into the institutes.

While the first wave of external funding was directed at criticizing the economic model and human rights violations of the military dictatorships, the second wave focused on the study of new social movements, while the third wave of funding centered on the democratization process and the debt. The studies that emerged form a general pattern: the analyses of dictatorship focused on its politically repressive features and not on its economic and military ties to Western European and North American elites. State violence was analyzed in terms of human rights violations, not as expressions of class domination – as part of the class struggle, as class violence. The political base that emerged from these studies posed the issue as between contending political conceptions, as a conflict between liberal democracy and military dictatorship. The deliberate dissociation of the class structure from state power was justified by the notion that the political sphere was 'autonomous' from civil society.

Studies of social movements continued in the same fashion. These studies claimed that the social movements were counterposed to class politics, that the class structure from which they emerged was 'heterogeneous', and that the struggles of the social movements were far removed from older ideological politics. The political line in regard to social movements was in the first instance that they should separate themselves from the ideological (radical) political parties; later, with the rise of liberal electoral parties, the political line shifted and the movements were advised to channel their attention toward the 'struggle for democracy'. The 'autonomy of social movements' was promoted when the researchers sought to separate them from the revolutionary left; 'participation in broad democratic fronts' became the formula the researchers promoted when liberal electoral politics came to the fore.

The third phase of funding – on democratization – was the most blatantly ideological: the research focused on a set of formulas which justified accommodation with local and foreign military and economic elites as the only 'possible' viable option, thus freezing the process of transformation to a transaction between conservative civilians and the military.

In brief, the research conducted by the Latin American institutes reveals a common set of themes and a common set of political prescriptions. The studies contain a great deal of data and information, but it is embedded in an ideological framework that is heavily biased

by the political agendas of the external funding agencies. At each point the external funders chose topics of particular concern to their foreign policy and corporate decisionmakers. They sought to create politically acceptable alternatives to the dictatorships, and put in place political forces capable of containing future challenges to Western liberal market hegemony. Their basic goal was to establish ideological hegemony among the Latin American intellectuals, since they serve as a major recruiting ground for the center-left political class.

The relationship between the external funders and the research institute-oriented intellectuals is complex and subtle. There are no ultimatums, and the degree of overt political supervision is limited. There are frequent meetings and exchanges of ideas about suitable topics in which there appears to be some degree of reciprocal influence. Not infrequently, the funding agencies announce their annual research priorities – a highly politicized matter cloaked in social science jargon. The research institute directors or entrepreneurs organize teams to formulate proposals linking the local reality to the proposed projects of their potential benefactors.

Not infrequently the local research entrepreneurs are able to anticipate the wants and political needs of the overseas funders and to argue cogently for their interests. Thus the appearance of 'local autonomy' is harnessed to the political projects of the hegemonic powers. The incongruence of the appearance of intellectual autonomy and the deep economic dependence is both politically and psychologically important. Without the appearance of autonomy the pervasive compilation of data on sensitive subjects might be called into question.

The overt consequences of economic dependence manifest themselves at the ideological level, setting the political parameters of intellectual discourse. Hence the importance of retaining a semblance of intellectual autonomy to dissimulate the dependence. Critical research on popular participation, grassroots organization, incomes policies, and so on, is essential in fostering an image of intellectual autonomy, while the dissociation of these conditions from their imperial-class context further enforces the long-term structural linkages to the external benefactors.

The transformation of the Latin American intellectuals centers on their incorporation as research functionaries into institutes dependent on external funding. Their work requires them to provide information that their benefactors would not otherwise possess, and even more important, to circulate and implant the ideas and concepts acceptable to their benefactors as the dominant ideology within the political class.

The Changing Intellectual Pivot

In the past Latin America possessed – in the best of cases – what Gramsci called 'organic intellectuals', writers, journalists, and political economists linked directly to political and social struggles against imperialism and capitalism. They were integral parts of trade unions, student movements, or revolutionary parties. Che Guevara, Camilo Torres in Colombia, Luís de la Puente in Peru, Miguel Enriquez in Chile, Roberto Santucho in Argentina, Julio Castro in Uruguay, were a few of the hundreds if not thousands of intellectuals who integrated their intellectual work with the social struggles of their countries. And the consequential organic intellectuals established the norms of behavior for the rest of the intellectual class. For thousands of other intellectuals the political and personal example of the organic intellectuals served as a measuring rod which they approximated to a greater or lesser degree. There was a continual 'internal' struggle between professional opportunism and political commitments, as Latin American intellectuals strove to make existential choices. This struggle no longer exists – it has long been resolved and forgotten among the new breed of research institute oriented intellectuals. The problem now is how best to secure the biggest sum of money from the most accessible outside funding agency.

Today the institutionalized intellectuals are in a Foucaultian sense prisoners of their own narrow professional desires. Their links with the external foundations, international bureaucracies, and research centers dominate a vacuous and vicarious internal political life. In the past the organic intellectuals struggled with a self-sustaining, self-financing intellectual existence. They lived and suffered the economic cycles of their countries. Today the institutional intellectuals live and work in an externally dependent world, sheltered by payments in hard currency and income derived independently of local economic circumstances. The deep internal horizontal linkages between the organic intellectual and civil society contrasts with the vertical linkages between the institutional intellectual and the external funding agencies and, with the advent of civilian regimes, with the local state and regime.

The dictatorships indirectly created a new class of 'internationally' oriented intellectuals, ostensible critics of the neo-liberal economic model, but just as deeply embedded in dependent relations with overseas networks as their adversaries among the export-oriented and financial elites. This new class has a life and work style that contrasts sharply with preceding generations of organic intellectuals.

An apocryphal story occurred to us during a visit to Chile. A director of a research center invited his mother from the provinces to

visit him in Santiago. He drove to the airport in his new Peugeot to pick her up. 'Where did you get this beautiful car?' she exclaimed as she observed all the gadgets on the dashboard.

'The Institute financed it. I need it for my research to overthrow the dictatorship,' he answered.

When they arrived at his suburban home, the mother gazed with wonder. 'Where did you get this beautiful house?'

'The Institute financed it. I need it for my research to overthrow the dictatorship.'

They entered the dining room, where dinner was waiting: a table covered with shellfish, fowl, salads, fruit, and fine wine. Eating heartily she asked, 'Where did you get such an elaborate meal?'

'The Institute finances it. I need it for my research to overthrow the dictatorship.'

At which point, his mother plucked his ear and whispered, 'Be careful they don't overthrow the dictatorship and you lose everything.'

And for those institutional intellectuals inside the international foundation circuit, they do have a great deal to lose, but not in the way of any profound commitments to the popular struggle to transform the socioeconomic system. Today's institutional intellectuals look with disdain at the previous organic intellectuals – mere 'ideologists' – and look upon themselves as Social Scientists. There is of course no such distinction between science and ideology. The institutional ideologists are just as ideologically oriented as their predecessors: their 'science' is harnessed to a world of managed conflict, electoral elites, private markets, and social engineering. They are the ideological watchdogs who have banished the politics of anti-imperialism to the netherworld of forgotten languages. They have described their own metamorphosis as intellectual functionaries as the culmination of a scientific revolution that transcends vulgar and parochial ideological preoccupations. In the past, organic intellectuals passionately debated ideas because they had direct consequences for their own personal commitments and participation. The institutional intellectuals change their ideas as frequently as their underwear. The posture of objectivity (the necessary methodology for external acceptance) provides the proper distance from which to observe the struggles as objects to be contracted, managed, and governed.

The problem of intellectual engagement is related to the audience to which each is directed: the institutional intellectual writes for and works within the confines of other institutional intellectuals, their overseas patrons, their international conferences, and as political ideologues establishing the boundaries for the liberal political class. The organic intellectuals moved in the world of the rank-and-file political activists and militants, with a global vision that challenged the boundaries of the

bourgeois liberal marketplace. Their work linked local struggles in the mines, banks, and factories, as concrete instances of global imperialist domination. They linked social discontent to political struggles against a clearly determined class state.

The ascendancy of the institutional intellectuals has banished the key concepts which illuminated popular struggles: imperialism, socialism, popular power, and class struggle have disappeared down the memory hole: they are unfashionable. In place of these precise formulations vacuous notions of 'popular participation', disembodied 'debt problems', and 'social contracts' have surfaced in the conceptual apparatus of the institutional intellectuals. The new language codes of the institutional intellectuals have a double function: they provide the ideological watchdogs with the symbolic signals to evict ideological trespassers, and they legitimate in the intellectuals' own eyes their role as caretakers of the hegemonic ideology of the liberal funding centers. Among institutes engaged in ideological diffusion through popular promotion and training, the negative effects of this style of intellectual work is magnified. In their promotional activity among the popular classes, problem-solving is localized and dissociated from any notion of state power and the construction of an alternative class-based vision of a democratic collectivist society, the original and creative project of the organic intellectuals.

The conceptual and linguistic transformation that accompanies the conversion of organic to institutional intellectuals is manifest in several distinct forms. The politics of language is the language of politics: as striking as what is written and published by the institutes is what is absent. In the present period when the major European and North American banks and corporations are engaged in a massive and sustained extraction of economic surplus, there is not a single externally funded research center in Chile, Argentina, Peru, Colombia, or Uruguay elaborating and deepening our understanding of the theory and practice of imperialist exploitation. Instead, we find the language of evasion, the social science of euphemism: the problem is posed as a balance of payment or 'debt problem'. The institutional intellectuals engage in an ingenuous and clever abstraction of 'debt' from class politics and even more from class struggle. From their vantage there are only disembodied classless 'states' which negotiate with other 'states': the institutional intellectuals have created the metaphysics of post-politics.

In its broadest sense the ascendancy of the institutional intellectuals and the decline of the organic intellectuals represents a cultural counter-revolution, a great leap backward. It is the world of the intellectual as 'inside political advisor', the managers of political conformity (or, in their language) of political consensus. For the repentant ex-radical

intellectuals (those who converted from a political to an institutional vocation) the essence of politics is bureaucracy. The axis of politics revolves around narrow institutional interests, developing ties with the chieftains of bureaucratic power centers. In this context the main intellectual concern is the renovation of formalism and legalism and the marginalization of substantive politics.

Political exhaustion (in the sense of the incapacity or unwillingness to formulate a global vision) is reconstructed as Political Theory – a sanitized compilation of concepts unrelated to historical struggles. There is no relationship between the political options of the institutional intellectuals and the reality of Latin America in the 1980s. Under conditions of absolute and sustained socioeconomic regression, of massive popular misery and growing social discontent, the language and conceptual practice of social and political reconciliation are surreal. They do not reflect objective Latin American realities; they mirror the reconciliation of the intellectual with the ideological parameters of overseas funding agencies.

In the more intellectually consequential research centers there is a profound contradiction between the deep structural problems that are rigorously discussed in great detail and the superficial policies prescribed in euphemistic, bureaucratic language. The combination of socioeconomic criticism and inconsequential political definitions defines the dilemma of the best of Latin America's institutional intellectuals.

Whether this contradiction evokes personal malaise among some institutional intellectuals is a matter of conjecture. For most, institutional operations are the dominant reality in their everyday life. And for those who operate within institute rules, the important world is the realm of the international institute circuit. Prestige and rewards revolve around the international conference and the advanced research center. Key international research entrepreneurs and organizers of major multi-country research projects are decisive figures in the world of the institutional intellectual.

The rapid and massive growth of the institutional intellectuals and their ascendancy in the 1980s obscures their increasing vulnerability. The universalization of private interests so apparent in their intellectual and personal lives provides no societal solutions and contributes to further fragmenting the fabric of civil society. Their overvaluation of individual freedoms at the expense of collective social rights puts them in opposition to rising social movements, with possible popular backlash over the long run. What has become central to the institutional intellectuals is the reproduction of their institutes. With increasing class conflict, it is expected that their overseas patrons will demand clear political definitions – studies not of state terror but of propensities for violence

among slum dwellers, data useful for containing the popular insurgency. Ironically, it may be the external funding agencies which return the intellectual to the study of the relationship between class and state (and away from 'state'-centered approaches), as they become preoccupied with the new wave of class struggle. For example, today at least five externally funded projects are studying the Sendero Luminoso in Peru.

During the military dictatorships the research institutes maintained an ambivalent position: they published studies attacking human rights violations, income inequalities, foreign debt payments, and the neo-liberal economic accumulation pattern. At the same time the institutes couched their political prescriptions in terms of political and social alliances (including as their coalition partners economic and military elites and Western capitalist democracies) that appeared to preclude the possibility of any consequential reforms. The research institute intellectuals' ambiguous treatment of critical socioeconomic analysis together with their accommodating political prescriptions were resolved with the transition to civilian electoral regimes. In some countries like Argentina and Brazil, the institutionalized intellectuals became important officials in the electoral civilian governments. These regimes, conditioned by their alliances with the military and economic elites, adapted to the pre-existing socioeconomic structures and followed policies similar to those of their predecessors. In this context the institutional intellectuals, including those occupying high positions in the regime as well as their peers who remained in the institute but who served as regime advisors, shifted their research agenda away from critical studies of inequalities, dependence, and power, toward technocratic and developmental directions. Their criticism was no longer directed at their colleagues in the regime and state but at the trade unions, social movements, and political parties in civil society, pressuring the regime to fulfill its electoral promises. The most common and banal notion that informed the writing and occasional political pronouncements of the institutional intellectuals turned 'oficialistas' was 'the double demon'. According to this idea, the civilian electoral regime was threatened on the one hand by the right-wing military and on the other by the 'radical' or 'extremist' social movements. The institutional intellectuals resorted to amalgamating democratic social movements that struggled and elected civilian regimes with the military and paramilitary groups that were displaced. This piece of intellectual dishonesty is symptomatic of the advanced state of intellectual decay accompanying the conversion of institutional intellectuals into state functionaries.

The intellectuals in uniform cannot confront the crises of their liberal electoral regimes and the failure of their policies of social contract. To

do so would require that they move away from the ideological framework that secures outside funding.

The institutional intellectual entrepreneurs not only know how and where to get abundant external funding, but they also know the dangers involved in posing social alternatives anchored in popular power to the existing decaying liberal democracies. Faced with this dilemma, the most convenient posture adopted is to claim that the post-dictatorial situation is very difficult and complex, and that there are no easy alternatives. This posture allows the institutional intellectuals to continue to receive outside grants while passing over the less attractive features and policies of their colleagues in the state.

Thus very soon after the transition to a civilian regime the institutional intellectuals shift from electoral celebration to political consternation: as regime apologists, they abdicate their responsibility as critical intellectuals. The current crisis of liberal democracy in Latin America is reflected in the crisis of the institutional intellectual, particularly as the outside aid agencies have begun to seek and fund other institutes with ties to the new ascending social forces.

Conclusion

Two diametrically opposed intellectual types serve as the model for the new generation of the 1990s: the organic intellectuals of the 1960s and the institutional intellectuals of the 1980s. The impact of the latter on the present generation has been contradictory: while they have imparted methodological skills, their theoretical and empirical studies have been lodged in an ideological context that provides an inadequate intellectual terrain to develop a basis for engaging in emerging class struggles. Nevertheless, the incapacity of the institutional intellectual to provide adequate responses to the pressing problems confronting liberal-democratic regimes has already set in motion the formation of nuclei of young intellectuals with ties to the political and social movements. The negative role model which the institutional intellectuals provide for the new generation of intellectuals is found in the lifestyle and values that accompany their research – international networking and ambiguous political prescriptions. The current crisis in Latin America may force members of the new generation of intellectuals who cannot be or choose not to be absorbed by the system to fight against it and to reconstitute themselves through organic ties to popular movements.

6

Social Movements and Political Class in Latin America

When the people organize a new society is born.

(Banner at the Third Latin American Gathering of Christian Base Communities)

The most striking fact about revolutionary politics in Latin America is that the only socialist revolutions were not organized by political parties but by political movements. Neither the Communist Party of Cuba nor Nicaragua's played a significant role in the making of the revolutions: the 26 July movement in Cuba and the Sandinista National Liberation Front in Nicaragua were the organizational forms through which the revolutionary forces were able to mobilize mass support, overthrow the dictatorship and consolidate the new revolutionary state.

Latin American experience and history thus challenge the orthodoxy of the essentiality of the revolutionary party. Nowhere in Latin America has the European/Soviet model of a party built around the factory-based trade unions been successful in gaining mass hegemony and challenging the capitalist state. The problem revolves around the patterns of Latin American economic development, the nature of the social structure, the relationship between the social movements and the political class, and the new ideological currents which have emerged over the past three decades. There is no single factor to explain the centrality of movements to revolutionary politics: their importance is the result of multiple determinations that have their origins in the socioeconomic patterns and structures which are subsequently mediated by the political-ideological relationships and processes. These different but interrelated relations must all operate, otherwise we cannot explain why some movements

develop with greater dynamism in different regions and time, why some movements become the basis of revolutionary politics and others not.

While there are significant variations in movement politics, it can be said that practically all of the significant political changes that took place in Latin America in the 1960s and 1970s were the direct or indirect result of massive social movements and not of electoral processes or militarized guerrilla movements. A survey of the major transformative processes in Latin America will illustrate this point.

Social Movements in the 1960s and 1970s: Political Change and State Terror

While most writers analyzing the reformist and radical changes which occurred in Chile during the late 1960s and early 1970s focus on the party congressional struggles, presidential politics and personalities, electoral processes and institutional forces, the major driving force that erupted and forced through the most significant changes was the social movements. The massive urban squatter movements, the peasant land occupations, and the unauthorized strikes pressured the Christian Democrats toward realizing or legalizing changes already underway. Moreover, when the regime faltered or failed to respond to the movements from below, it declined and the political initiative shifted to the left.[1] The electoral victory of Allende and the parliamentary left benefited enormously – in fact was made possible – by the massive upsurge of the 1960s, and the ultimate guarantee of their ascent to power was the opposition's fear of a massive popular insurrection. The most important changes in property relations, social organization and political representation took place through the mass movements: the land occupations hastened the agrarian reform; the factory takeovers vastly expanded the social sector of the economy; the industrial and municipal mobilizations led to the formation of workers' and popular governing councils (*cinturones industriales*, *comandos comunales*). The Socialist government frequently lagged behind the movements, in the best of cases legalizing what was already accomplished, or, in the worst of cases resisting the movements or trying to subordinate them to the existing institutional order.[2]

Social scientists and journalists, by focusing on the institutional order, the electoral system and its persona have greatly distorted the dynamics of the Chilean processes, mistakenly attributing praise or blame to the political class: a mistake the Pinochet dictatorship did not make when it launched the full fury of its attack precisely at the structure, leaders and collective consciousness of the popular movements. Between 1965 and

1973 the political class at best weakly refracted the dynamic struggle and profound changes which were initiated and consumated from below and outside of the established institutions and 'rules of the game'.

The most deep-seated changes in Peru occurred in the late 1960s and early 1970s under the nationalist Velasco military regime, and were in large part a response to the massive agrarian movements unleashed during the previous decade. Senior military officials involved in the counter-insurgency campaigns of the 1960s were profoundly influenced by, and fearful of, the mass peasant movements, and supported reforms in order to head off a more radical transformation.[3] At the same time, the urban squatter settlement movements – the extensive self-organized *barriadas* – forced the ruling generals to try to develop their own counter-movements through the notion of 'new towns' (*pueblos jovenes*), linked to state agencies. The ultimate demise of military rule in Peru was directly related to the massive general strikes of 1976–77 and popular radicalization that led to the growing electoral support for the former movement leader Hugo Blanco in the Constitutional Assembly elections of 1978. Once again, it was the movements of squatters, workers and unemployed that were instrumental in displacing the military from power, while it was the electorally oriented political class which took advantage of this development to re-insert themselves into the political process.[4]

In Argentina, the most significant political events in the late 1960s and the early 1970s were the mass urban uprisings in Cordoba, Rosario and a host of other provincial cities, and the emergence of a powerful autonomous shopfloor movement in the major industrial centers. The 'Cordobazo' detonated the successful struggle to oust the military dictatorship of Ongania; a second wave of labor-based general strikes drove his successor, General Roberto Levingston from power. The subsequent period of urban social struggles finally forced the military high command and its new leader General Alejandro Lanusse to concede to popular demands for free elections and to allow the return from exile of Juan Perón. Meanwhile, the mass urban movements freed political prisoners and extended social organization throughout the length and breadth of the country: even the patients in the psychiatric hospitals organized to protect and promote patient care. In other words, the major elements of the democratization process preceded the return of Peronist political rule.[5]

Unfortunately, the Peronist electoral machine was able to take advantage of these profoundly democratic movements and to divide, co-opt, and repress different groups. The degeneration of the Peronist government, particularly during the ascendancy of Isabel Perón (July 1974–March 1976), provoked a resurgence of autonomous working-class action – the 'Rodrigazo', a massive and successful general strike

accompanied by active mobilization against the regime and its regressive socioeconomic policies.

The 1976 military coup led by General Roberto Videla was followed by a massive war that was ostensibly directed against the guerrillas, but took its biggest toll against the activists and leaders in the autonomous class unions, neighborhood organizations and popular organizations. The bulk of the traditional political class – the old guard leadership of the Radical and Peronist party and trade union bureaucracy – went largely unscathed. The forces defending the existing order recognized through their brutality and repression which were the institutionally innovative and creative forces, and which forces could ultimately be accommodated by the social order. It was the social and political movements which created through their popular assemblies, direct votes, and public debates, the basis for a popular democracy and the civic consciousness for reconstructing Argentine society and economy. And it was these autonomous movements that the political class, the Peronists, and the Radicals sought to control and subvert, and which the military tried to destroy.[6]

The demise of the autocratic and brutal military dictatorship in 1982–83 was not a fortuitous byproduct of the Malvinas debacle. On the contrary, the major impulse in the forced retreat of the military from political office were the surging mass popular movements composed of both conscripts and citizens. Once again, however, the re-emergence of the political class and, in particular, the Radical Party's capacity to mount the anti-military, pro-democratic movement led to the establishment of the socioeconomic and military power center, and a concerted effort by the electoral apparatus to demobilize the resurgent movements. Today, nonetheless, the latter are again challenging the new civilian regime's regressive social policies, its military amnesties, and its subservience to the overseas banks. But, as before, the absence of a political objective makes the movements susceptible to manipulation by a populist *caudillo* (leader).

The major political breakthrough in Nicaragua, the overthrow of the Somoza dictatorship, was largely the product of the mobilization of a vast array of unemployed and under-employed young people in urban areas, self-employed artisans and peasants, and salaried and wage workers. The mass movements extended far beyond the organizational control of the Sandinista Front, and in many cases the urban insurrectionists preceded the Sandinistas and had established their own informal structures and leadership, many of whom were later incorporated into the mass Sandinista organizations. The mass uprisings in 1978 and 1979 throughout Nicaragua provided the basis for the Sandinistas to build support and to come to power. The destruction of the capitalist state, particularly the National Guard, the occupation

of Somoza-controlled lands, the creation of the Revolutionary Army, the neighborhood committees, and the popular militias, reflected the early impulse toward direct popular power. The successful defense of the revolution against US contra terrorism and the continued support for the goals of a social transformation under popular democratic control are largely derived from the popular movement character of the revolution.[7]

In Nicaragua, the popular social movements were able to integrate and become part of a social and political transformation at the state level. Although the movements elsewhere created dynamic processes undermining dictatorships (Argentina), bringing about sectoral changes (agrarian reform in Peru), or even extending the embryo of a system of dual power (industrial and municipal councils in Chile), in none of these cases were they able to transform movement organization and local power into state power: to create, in other words, the enduring institutions of popular power operative in Nicaragua.

The Nicaraguan experience reflected the general process of deepening popular participation and the extension of social movements throughout the length and breadth of Central America. In El Salvador and Guatemala a very dense network of organizations reached previously unmobilized groups, activating Indian communities, women, and unemployed youth throughout the 1970s. A new popular hegemony gained ascendancy in civil society and eclipsed the clientelistic networks of the oligarchical and new bourgeois power blocs. The guerrilla groups were small, and the traditional Christian Democratic and Social Democratic Parties became marginalized. The popular assemblies became the vehicle for direct democratic debate and decision-making. The social movements represented a new form of democratic political representation not restricted by the authoritarian military, judicial and police powers that define the boundaries and rules of the game of conventional capitalist democracies or the constraints of bureaucratic-centralist one-party states. Consequently, these movement-based democratic forms were automatically perceived as global threats by policymakers in the USA and ruling classes and military elites in Latin America.

The social movements of the 1960s and 1970s presented a special problem to Latin America's military and capitalist rulers. Unlike earlier populist movements which were tied to and dependent on a personal *caudillo*, these new movements were largely autonomous, based on rank-and-file leaders who were easily replaceable. Nor were these organizations dependent on a bureaucracy or ministry. They were self-generating and sustaining; every member was a potential organizer or leader. Hence, the old tactics of decapitating the populist movement – exiling, arresting, or killing the leader(s) – and, in doing so, dissolving

it, was not possible in the new context. To eliminate the new movements, the ruling classes had to apply to the masses the tactics they previously applied to the leaders: they turned from selective to mass terrorism, from short-term purges to permanent purges.

The problem was not merely one of physically destroying individuals or collectivities; the idea behind the repression was to destroy the core idea of the movements, namely, the practice of self-organized autonomous democratic popular power. State terror sought to re-establish in the first instance the idea of a hierarchical society against the popular assemblies, the security of private exploitation against collective welfare, of political clientelism against class solidarity. The struggle of the ruling classes was mainly against the movements of popular power, not against the political class. After the movements were thought to have been destroyed, the military and the ruling classes were willing to negotiate and allow the political class to organize elections within the parameters that they had re-established: hierarchy, exploitation and clientelism. The political class's electoralist perspective was, in large part, compatible with these objectives, even as they chafed at the narrow construction that some of the more extremist elements imposed on the electoral regime.

Right-wing terror was able to defeat the rising movements of the 1960s and 1970s in every country except Nicaragua. The death toll was awesome: hundreds of Indian villages disappeared from the map of Guatemala; tens of thousands were murdered in El Salvador, Argentina, and Chile; hundreds of thousands, if not millions, were tortured, jailed or exiled throughout the continent. This death and destructiveness, with the active support or passive acquiescence of North American and European governments, was genocidal in character.

Yet, these setbacks suffered by the popular movements were not of the kind experienced by the Spanish or German working-class movements in the 1930s, which lasted for generations. They were short-lived, essentially conjunctural episodes. The 1980s witnessed the revival and growing power of mass popular movements, and it is testimony to their deep roots, structural conditions, and the extent to which they have internalized the new ethos of direct democracy that these social movements have re-emerged so quickly after a period of unprecedented state terrorism.

Social Movements in the 1980s: The Challenge of Electoralist Politics

If we start from an approximate base line of the year 1980, it is clear that sociopolitical movements are on the ascendancy throughout Latin America. The massacres inflicted by the state terror were not able to

contain the resurgence of social movements; nor, as we shall see, have the liberal electoral regimes been successful in demobilizing and subordinating the movements. Several conjunctural structural factors can be cited – including the decade-long decline in living standards accompanying the rise of speculative capital and foreign debt payment, the continuation of neo-liberal economic policies and IMF austerity policies, and the continuities in elite class-state ties, despite the introduction of electoral parliamentary institutions to account for the revival of the popular movements.

In a more profound sense, however, the sociopolitical movements re-emerged, or appeared for the first time as in the case of Mexico (the 'Cardenista' movement), in response to long-term processes. In El Salvador, despite the mass killings which intensified after 1979, the urban social movements proliferated after 1984: trade unions, human rights groups, neighborhood organizations, and so on, began an upward curve, notwithstanding the assassinations and electoral appeals of the Duarte electoral-military regime. In Guatemala, the process of re-emergence was less dramatic and the process of reconstruction of the social movements has been continually under severe military control. Nevertheless, peasant unions in the countryside and trade unions in the city began to expand their membership, particularly after 1985. In both cases, the movements have not recovered their previous high levels of mobilization (1979–80), but clearly have come out of the 'trough' years of the early and mid 1980s: in both countries the process of movement reconstruction is subject to continual state terror – overtly through state-identified military action or covertly through so-called extreme right-wing paramilitary groups, most of which are staffed by state (military and police) officials. In a word, the expanding movements are vulnerable to a new wave of mass state terror – unless the current politico-military balance of power shifts in their favor.

In Colombia, the massive growth of social movements, particularly in the provincial cites, as well as peasant movements, has created a civic alternative to the dominant two-party elite. Civic strikes involving major regions of the country, the emergence of popular urban and municipal councils, and a unified labor movement have created the basis for mass direct action – in securing housing sites, fighting declining living standards and creating new forms of representation based on democratic popular assemblies. The intensification of state terrorism has paralleled the growth of the new social movements – with several thousand political assassinations of civic activists registered in each of the past five years.

Mass protests have become routine events in Brazil at all levels of society: from pitched battles between landlords and small farmers in the interior, to store-sacking and food protests in the northeast, to factory

occupations in the industrial cities of the southeast. In Chile, the mass mobilization of hundreds of thousands of *pobladores* (slum dwellers) in the popular neighborhoods between 1983 and 1986 were reminiscent in size and scope of similar movements in the late 1960s and early 1970s. In Argentina, by 1989, at least eleven massive general strikes had rocked the Alfonsín regime in protest against its policy of channeling the bulk of export earnings to foreign banks and reducing living standards. In Uruguay, the opposition movement against the regime's amnesty of military officials, subject to criminal proceedings for human rights violations, was able to secure the signatures of a quarter of the entire electorate on a petition to put the issue of military impunity to a referendum. These and other experiences illustrate the process of movement revival and growth, even though it occasionally lacks the radical political edge of the earlier waves, focusing as much on defending living standards and civil rights as on the broader questions of social and political transformation.

The key problem facing the sociopolitical movements is their relation to the electoral transition and to the subsequent electoral regimes. The social and political movements contribute to the retreat of the military and provide the space for the re-emergence of the electorally oriented political class. The historical tendency of the political class is to dominate and subordinate the movements to their electoral party machinery and to displace autonomous action from below with elite negotiations from above. Once in power, the electoral regime is intent on shrinking the autonomous activity of civil society and concentrating politics on the institutional confines controlled by the political class, despite their rhetoric to the contrary. Nevertheless, as we shall see below, the electorally oriented political class has not succeeded, at least over time.

The relationship between the movements and the electoral political class is one of continual tension: of pressure from below and manipulation from above. In most cases, at the beginning of an electoral transition the political class is able to gain ascendancy, convincing the movements – tentatively and contingently – to direct their activity and support toward the electoral process and electoral politicians. This result is achieved by adopting a rhetoric which identifies with movement goals, and even methods and structures. After the initial period of electoralist government, and its visible accommodation to the existing power centers (the bankers, generals and business people), a struggle ensues between the co-optive and/or repressive strategies of the electoral regime and the efforts by activists in civil society to re-mobilize the social movements. A split takes place within the movements, with many of the intellectuals being incorporated into the electoral regime and the rank-and-file poor

activating their struggles – against the right turn of the electoral regime.

The convergence between the electoral political class and the social movements against the authoritarian regimes is *conjunctural* because the underlying basis of their politics, the socioeconomic goals and their political styles, are fundamentally opposed. The electoral political class is embedded in elitist institutions, its policies are shaped by its accommodation to rules of the game negotiated with the pre-existing power centers, and it substitutes elite-centered 'representative institutions' for the direct debates found in the popular assemblies of the movements.

Since the 1960s, the sociopolitical movements have been in the forefront of the struggles for democracy, structural change, and new forms of inclusive political representation throughout the hemisphere. It is these movements, not the parties, politicians and ideologues with their electoral apparatuses, that have been in the vanguard of the struggle to politicize the unpolitical and apathetic poor, and create a mass critical and reflective public. Social scientists have been profoundly mistaken in concentrating on the political parties and slighting the movements in their conceptualization of the processes of social change and political innovation. The emergence of sociopolitical movements is not a transitory or cyclical phenomenon, but responds to deep structural processes which are embedded in Latin American societies.

Sociopolitical Origins of the Mass Movements

Four levels of analysis can be identified in explaining the centrality of sociopolitical movements in Latin America: the pattern of economic development, the nature of the class structure and class conflict, the relationship between civil society and the political class, and the formation of new ideological reflections on social reality.

The extreme unevenness and profound dependency of Latin American development mark the point of departure for the discussion of the social, structural and ideological determinants of the sociopolitical movements. The unevenness in development means that the transformation of the labor force into wage labor ('proletarianization') is only partial, unstable and reversible – the wage labor force occupies an important role in the productive process, but is, in many cases, insecure in its class location and surrounded by a mass of non-wage workers. Capitalist development does not homogenize the labor force; it creates a highly differentiated social structure, but one that is commonly subsumed to capital.

Accompanying proletarianization, but not coterminous with it, is the process of uprooting and displacing the labor force, in the countryside

and in the cities. The concentration and centralization of capital in the urban metropolis and overseas has forced the peasantry to follow capital to the cities. The urban mass concentration has, in turn, been transformed into a huge reserve army of unemployed and subject to a second process of uprooting: the conversion of capital from industry to finance real estate speculation has led to the eradication of urban settlements and to displacement of the poor to the urban periphery. Finally, the new export strategies have been accompanied by a renewed emphasis on 'labor flexibility' – the employers' easy and rapid displacement of workers to meet shifting world market demands, competition, and so on, leading to a rotating labor force and the uprooting of workers from factories to home industries and dispersed small-scale shops. The pattern of large-scale modern firms subcontracting to a variety of small machine shops or home assembly plants is one manifestation of this pattern of uneven development.

One of the principal features of Latin American development is its dependence on external financing, world markets, foreign technology, imported foodstuffs and capital goods. Hence, employment and production is strongly influenced by the fluctuations in interest rates, prices and world demand for its export products. The sharp cyclical changes, particularly downturns, are destabilizing elements provoking inflation, unemployment, declining state revenue and private investment, and capital flight. When these destabilizing factors are combined with increasing interest payments and accumulating debt, the result is a dissolution of the 'normal' process of class formation around the wage/capital relationship and the creation of a heterogeneous working class – not, as some social commentators would argue, the reduction or dissolution of the working class. The homogenization and heterogenization of the working class is a continuing and shifting process, depending on the cyclical fluctuation of Latin America's dependent economy.

From the uneven and dependent pattern of development emerges a heterogeneous labor force – located in factory production, subcontracted workshops and households, in socially controlled, but individually distributed, street vendors (erroneously referred to as the 'marginal', 'informal' sector), construction, personal services and a mass of commercial, transportation and distribution positions. There is frequent interchange between one site and another: from factory work to street employment, to construction; from seasonal farm work to domestic employment, and so on. Whatever the specific locus or statistical sums, most come from the working class, at some time are employed as workers, live in working-class milieux, and aspire to become stable wage workers. The working-class nature of the activists is overdetermined and

it is false to refer to them through vacuous terminology as 'new social actors' or to attempt to counterpose social movements to class politics, as some self-styled 'post-modernist' theorists propose.

What is clear, however, from the heterogeneous nature of the working class and its formation is that it cannot be equated with the process of class formation in Europe or the USA. The factory is only one site of many at which the working class is located. The street, the market, the neighborhood, the region all are sites for employment. Moreover, even the workplace varies from the factory to the workshop to the household. Sociopolitical organization which defines the factory as the site for organization, the trade union as the singular form, the political party based on the factory union as the model, and party competition in the electoral arena as the appropriate channel for political change has seriously misread Latin American reality. That is not to say that, in some countries, particularly in Brazil, Argentina and Chile, factory-based trade unions do not play an important role, but it is to emphasize that even in those countries exclusive focus on the party/trade union electoral approach omits strategic sectors of the working class and condemns the struggle to a narrow set of parameters.

There are multiple sites of working-class struggle reflecting the heterogeneity of the working class: at the point of *habitation*, the struggles for basic services, against state repression, for titles to land; in the *streets* the struggles against the state, unemployment, declining living standards, skyrocketing prices, class-biased austerity programs; in the *regional cities* struggles against the concentration of state spending and services in the wealthy areas of the capital cities, and so on.

It is the *growth* of the urban working class, its extension to all sectors of the economy, not its decline or transformation into 'new social actors' that provides the energy and volatility that drives forward the sociopolitical movements.

The movement form of organization provides the flexibility, inclusiveness and decentralized structure that facilitates entry into political action from the various sites of social action in a way that trade unions and electoral parties cannot. The movement's openness to influence and control from below, its capacity to act directly on concrete problems of everyday life and its face-to-face debates and non-hierarchical structures provide it with a capacity to mobilize sectors of the working class that the electoral parties cannot activate. Movement organization is the form most compatible with the real existing process of working-class formation in Latin America.

The relationship between the political class and civil society is the third analytical dimension for explaining the rise of sociopolitical movements in Latin America. In the first instance, there is a profound divergence

between the electoral political class and the sociopolitical movements. The former is deeply involved in the universe of political parties, electoral process and parliamentary institutions. The reference to civil society is the organized institutional forces – as potential financial backers, the power centers that decide the rules of the electoral system, and those organizational hierarchies that can 'deliver the vote'. The political class enters into civil society to cannibalize activists for the party apparatus; it makes electoral forays into the movement communities to secure votes; the political class proposes and disposes for its constituents – the movements are objects of the political class, not subjects shaping their agendas.

The deep involvement of the political class in the institutional structures of power contrasts sharply with the movements' deep involvement with the working class excluded or dominated by the same institutions. The political class engages in horizontal negotiations with the economic elite and passes the decisions below; the movements organize horizontal movements based on class solidarity and send their messages 'above'. The class content, the organizational forms and the style of politics that mark the divergences between the political class and social movements reflect the deep-seated antagonism between the state-oriented and anchored political class and the civil society-oriented social movements. A political class that operates through an elite class state that dominates civil society creates the conditions for the rise of organizational forms – such as the sociopolitical movements – as protagonists of civil society against the political class.

The growth and emergence of social movements has also been deeply influenced by and, in turn, influenced new ideological currents. The Theology of Liberation and movement Marxism have played an important role, reflecting on the emergence of sociopolitical movements and providing a theoretical rationale. The Theology of Liberation, with its emphasis on popular empowerment and the organization of Christian base communities, has stimulated a vast network of locally based and controlled organizations capable of challenging traditional vertical elite structures. The fusion of popular religious beliefs, decentralized structures, class organizations and struggle has provided the movements with a dynamic that transcends the narrow confines of traditional left politics and the vacuous appeals of populist electoralism.

Equally important has been the emergence of movement Marxism which has broken with the orthodox party structures, and rigid and inappropriate analyses of Latin American social structure, formulating new concepts of politics: with a more complex conception of the working class, with a different conception of power – local, horizontal and participatory – and a different conception of the relation between state

and society, one which emphasizes the power of civil society over the state.

In summary, the convergence of these ideological perspectives with the structural trends and political space opened by the divorce between the political class and civil society has provided the dynamism for the growth of the sociopolitical movements. Yet the movements face serious challenges, not only from the military-repressive forces, but also from the re-emergence of electoral regimes.

The Crisis of Negotiated Transitions and the Sociopolitical Movements

The military dictatorships and the neo-liberal economic model that they imposed became mired in deep crisis by the late 1970s and early 1980s. Economic stagnation, increasing debts, declining capacity to secure international loans, massive capital flight, and uncontrolled inflation accompanied widespread bankruptcies of banks and enterprises, declining state budgets, shrinking profits and an increasingly polarized and restive society.

In global terms, there were essentially two responses to the crisis, each with its own conception of a democratic transition. On the one hand, the bourgeois property groups, the great majority of the political class and the US State Department argued for a negotiated transition: a pact between the 'responsible' opposition and the military, in which the electoral process would be introduced within the parameters of the existing state structures and international linkages. What this meant in effect was that the military officials responsible for political homicides, torture and disappearances would be exonerated and, beyond that, the military would retain its power and prerogatives within the military domain, and also retain influence in the civilian regime. The maintenance of the international linkages refers to the electoral regime's assumption of the debt, the continuance of debt payments and provision of guarantees to foreign capital. In other words, the military-civilian pact was designed to defuse mass discontent, channel it into an electoral arena which would operate within the socioeconomic framework and military institutions of the past. The negotiated transition thus combined regime changes and structural continuities.

The second conception of a democratic transition from below grew out of the activities of the social movements. The economic crisis and social polarization interacted with the long-term structural factors (mentioned earlier) to detonate popular anti-dictatorial movements. The transitional process, seen through the eyes of the movement activists, envisioned a

series of comprehensive changes: public investment instead of private speculation; social welfare over debt payments; prosecution of military criminals and the democratic restructuring of the armed forces; and the redistribution of income and land. The objective was to definitively break with the neo-liberal economic model based on the concentration of capital and resource ownership favored by the military dictatorship, not to provide for its continuity through an electoral regime. But while the power of autocratic rulers was being eroded across the continent, the social movements had not gained sufficient strength to project an alternative, leading to the capture of political and state power. The resultant political-military confrontations, with the exception of Nicaragua, produced elite-pacted transitions.

The process of transition from military dictatorship to electoral regime basically proceeds through three stages. The first involves the ascendancy of the electoral elite political class, the temporary subordination of the social movements to the electoral machinery, and power sharing between the military, the civilian regime and the economic elites. The sociopolitical movements that make possible the transition are not its beneficiaries. The political class pre-empts the levers of political power and proceeds toward the reconstitution of the political machinery for domination. The political class is able to channel movement supporters and activists into the electoral arena by coopting their demands, speaking in favor of their struggles and organization – in a word, presenting themselves as the representatives of the movements. And the movements, lacking a political leadership with a project of national power, are vulnerable to these appeals. The convergence between the political class and social movements is conjunctural, occurring during the anti-dictatorial struggle and immediately thereafter when the regime initiates the legalization of political and individual rights.

The second stage revolves around the moment when the electoral regime must define its socioeconomic character. The liberals opt for the bankers, the generals and the state against national production, democratization of the military and the social movements in civil society. As the electoral regimes move to establish relations with the power centers, the state apparatus is activated to demobilize the movements. The ideologues of the electoral regime launch a frontal attack on the social movements, accusing them of 'destabilizing democracy'. The state tries to coopt movement leaders and bureaucratize and statify the autonomous movements through policies of 'social consultation' (*concertación social*). The neo-liberal economic policies, the external linkages, the export growth model, however, deepen the cleavages in society and undermine the possibilities of any meaningful trade-offs which might sustain a social pact on incomes policy.

As the electoral regime reveals itself as a continuation of the neo-liberal policies and military institutions of the previous regime, the sociopolitical movements become reactivated. The human rights groups protest the military's impunity, the trade unions struggle to contain the slide in incomes, the peasants demand changes in land tenure, prices and credit. The movements 'pressure' the regime to rectify its course.

The third transition stage is a period of open confrontation between the regime and the movements – a clear break from the period of general or critical support. The electoral regimes resulting from the negotiated transition enter into crisis and the social movements proliferate as the neo-liberal economies stagnate, debts pile up, and foreign takeovers multiply, through debt-equity swaps. The electoral regimes preside over a 'lost decade': inflation runs rampant and real wages plummet; brutal austerity programs push the poor beyond the limits of subsistence; billions of dollars in debt interest payments fill the coffers of the overseas creditor banks; negative growth rates and declining standards affect not only the workers, peasants and urban poor but also the salaried middle class. Mass disaffection spreads the length and breadth of the continent, leading to general strikes and strengthening the popular movements in civil society against the increasingly politically isolated regime. The most striking recent illustrations of this process have been in Brazil and Argentina where social mobilization and mass protests led to overwhelming victories by anti-Sarney and anti-Alfonsín candidates in mid-term municipal gubernatorial elections. In the case of Argentina, the Peronists also defeated the Radical Party in the 1989 presidential elections.

The electoral results are, however, only surface manifestations of the underlying social processes; at a deeper level, the decline in the fortunes of the liberal regimes is polarizing Latin American society in two directions.

On the right there has been a reactivation of the military as a major political actor. 'Death squads' closely linked to the armed forces have emerged in Colombia to destroy the autonomous civic movements in order to rechannel politics into the two-party system. Guatemala and El Salvador have been dubbed 'death-squad democracies', since the state-organized political assasinations now take place under an electoral regime. Most of the killings are directed at unarmed movement activists. A state of siege exists in large parts of Peru, as President García relied more and more on the military to contain the discontent with the failures of social-democratic experiments and the adverse impact of his later neo-liberal policies. In Brazil, the Sarney government depended increasingly on the military to control popular protest, leading to violent attacks and occasional murders of striking industrial workers. In Argentina, Alfonsín

followed up his Minister of Defense's statement in December 1988 in praise of the armed forces' 'dirty war' and the murder of 30,000 civilians as a necessary defense against subversion with the establishment of a National Security Council to oversee internal security – thus opening the door for a return of military political power. The crisis of the liberal electoral regimes has led to the militarization of politics, sponsored by these very same regimes. The political counterpart to the opening at the 'top' and toward the 'outside' has been the militarization of control over the rising social movements.

Beyond the right turn within the existing electoral regime, the extreme right outside the regimes began gaining strength as an alternative to the collapsing incumbents: in Brazil, there are the private armies of the landowners of the interior, and the mobilization of the business class behind sectors of the military; in Argentina, the military-business elites closed ranks before the specter of a Peronist presidential victory; in Peru, Vargas Llosa and the authoritarian right organized to replace the disintegrating García regime with a hardline repressive rulership.

While the disintegration of the liberal electoral regimes has resulted in the self-induced militarization of political life and the resurgence of the authoritarian right, however, it has also triggered burgeoning social movements on the left.

The liberal electoral regimes have failed in a double sense: they failed to stem the economic slide and they failed in their efforts to incorporate and demobilize the social movements through the *concertaciones sociales* ('social consultation' schemes). The conjunctural convergence of movements and the electoral class, and the temporary suspension of movement activity during the first stage of the electoral regime, did not spell the 'end of movement politics'. As can be seen in the subsequent period, the movements re-emerged stronger than ever, now confronting and challenging first the policies of the incumbent liberal regime and later the regime itself. The historically significant point is that the movements are able, in less than a decade, to reconstruct the dense networks and to create a new generation of leaders to replace those who were killed by the murderous autocratic dictatorships. The movement's capacity to return to the forefront of representation of popular interests is eloquent testimony to their profound roots in the fabric of contemporary Latin American civil society.

The re-emergence of the movements is unequal, varying in intensity and scope of social support, as well as highly differentiated in the nature and forms of struggle, programmatic content and relations to the political class. In this regard, one should not underestimate the continual vulnerability of the social movements to enticement by the electoral political class, particularly by its more 'populist components'. Movement

disenchantment with the liberal variant of the electoral political class has not meant a rupture in all relations with the political class and the elaboration of an autonomous movement-led struggle for popular power. As we shall describe below, the present tendency (though not the only one) is for movement opposition to link up with populist politicians, like Brizola in Brazil, Menem in Argentina, Jaime Paz in Bolivia, and Barrantes in Peru. In the case of Chile, the first phase of the electoral transition revealed an apparent convergence of movements and the electoral political class, with the latter busily involved in instrumentalizing and subordinating the movements to the struggle for a seat in Parliament. This is a process which, even in its early stages, was being resisted by movement activists; a resistance will probably grow once the inevitable cleavages between the interests and class policies of the political class (now in government) and the movements become more pronounced.

The social movements have engendered a variety of challenges to the electoral regimes, each reflecting the particular forms of struggle common to the particular country. In Argentina, the social movements have taken several forms; during the last years of the military dictatorship and during the Malvinas debacle, the autonomous human rights movement and a massive spontaneous anti-military movement, including civilians and conscripts, forced a hasty retreat by the military. The political class, taking advantage of the newly created political space, negotiated the transition to electoral politics, promising a full investigation and thorough prosecution of all military officials involved in torture, disappearances, homicides, and so on. Except for a handful of top generals, the Alfonsín regime failed to observe its human rights promises, promoted a number of senior generals and eventually capitulated to the perpetrators of the 'dirty war' – passing an impunity law, integrating the military into a 'National Security Council' and even going so far as to justify their 'war against subversion'.

In the meantime, the Alfonsín regime's export-oriented, debt-paying economic strategy was provoking triple digit inflation, declining wages, living standards and public services (electricity blackouts, water shortages, street floodings, massively overcrowded public schools and hospitals without medicine, and so on.). Between 1983 and 1988, wage and salaried workers from all economic sectors participated in eleven general strikes – reflecting the enormous capacity of the Argentine masses to reconstruct civil society against a state serving, once again, the foreign bankers, wealthy exporters, and financial-speculative classes. Joining the industrial and public service workers' strikes were major regional strikes against the absence of central government funds. The mass popular

impetus for extra-parliamentary action was not aimed at destabilizing democracy, but rather at realizing the demands of civil society betrayed by the electoral political class. The convergence between the political class and the movements leading up to the 1983 election did not result in the 'end of social movements' and their subordination to the political class as 'post-modern', pro-Alfonsín intellectual spokespersons claimed. Rather, the convergence was conjunctural and conditional, and the resurgence of the social movements and their capacity to confront the regime testifies to their vitality and the limited power of the electoral political class.

Nevertheless, having identified the tremendous resilience and creative capacities of civil society, several political limitations should be noted. First, the social movements, particularly the trade unions, have re-emerged under the leadership of a variety of Peronist leaders who seek to subordinate the upsurge to their electoral allies in the political class. Hence, the movement contains a contradictory dimension: freeing civil society from state tutelage, but being subject to the state aspirations of the Peronist trade union bureaucracy. Second, the social movements of the 1980s, while vast in scope, are more prudent in their demands: the struggles are essentially oriented toward containing the economic slide, blocking the denationalization of public enterprises and the bankers' pillage of the economy. Unlike the struggles of the 1970s, when the social movements sought to create alternative forms of popular power, the current movements seek to pressure the existing electoral-congressional leadership to become more responsive to their demands. Nevertheless, as the electoral regime firms up its ties to the military and the social conditions deteriorate, the autonomous movements represent a possible political alternative in the middle range.

In the short run, movement mobilization and discontent was channeled into support for the Peronist presidential candidate Carlos Menem. Once again, the power of the movements in rejecting the neo-liberal formulas of the incumbent regime did not translate itself into an autonomous national political project. Hence the return to a conditional, conjunctural convergence with a sector of the political class. However, a populist like Menem (winner of the May 1989 election) who promises to contain the socioeconomic slide and remain within the economic model of the regime – paying the debt, retaining the deregulated structures – and who promises social reforms and expects capitalist investment and national commitments is building to a big fall. Peronist populists promise to stabilize incomes and spur growth in a context in which the bourgeoisie has no productive vocation and the state no resources to finance reforms. Populism with empty state coffers is not a viable formula. The alternative of social discipline requires social

power and that means a challenge to the institutional arrangements that currently underpin Argentina's neo-liberal economic model, the power and place of the military, and its relationship to overseas lenders.

Beyond the almost inevitable crisis of a Peronist regime, the popular movements will re-emerge, perhaps tempered by the failures of the liberal and populist experiences and better equipped to project a new model of political representation. And accompanying the growth of popular power will be the increasing clamor from the economic elite for a return of the military, a process which has already been facilitated by the Alfonsín regime.

In Brazil, the growth of social movements has permeated all sectors and regions of the country: from the industrial centers of the southeast, to the agrarian struggles of small producers (including the land squatters' movements) of the interior, to the hunger strikes and store sackings of the northeast, to the organized Christian base communities' struggles in the urban slums. The extra-parliamentary struggle today defines one of the parameters for political action; the entrenched power of the military, business and banking elites defines the other. In between is the opposition electoral electoral class, ranging from social democrats like Cardoso, and populists like Brizola, to trade union socialist reformers like Lula, to the radical mayor of São Paulo.

Massive strikes by industrial workers, office and public sector employees, and transport workers whose incomes have been decimated by sky-rocketing inflation have become daily occurrences. Increasingly, the regime has relied on force to contain and crush the rising class struggle: shooting striking steel workers in the industrial zones; sending the military to violently dislodge small producers from land claimed by speculators and agro-business interests. The process of militarizing politics in Brazil, as in Argentina, has been initiated by the civilian electoral class to protect the economic elite against the growing power of the autonomous social movements. Liberal social scientists falsely ascribe the growth of military repession to 'loose cannons' in the armed forces or counterpose the civilian politicians as the saviors of democracy against the extremes of left and right. The real dynamics in both countries attest to a different political reality in which the distinction between civilian and military political forces is much more blurred and, indeed, interlocking. Civilian political and socioeconomic commitments rather than military demands have led to the inclusion of the coercive institution in the formulation of internal security policy.

The growth of the social movements and the socioeconomic polarization provoked by Sarney's policies led to the electoral deterioration

of the governing Brazilian Democratic Movement Party (PMBD), and the rise of the Brizola-led Brazilian Democratic Party (PDT) and Lula's Workers' Party (PT). The latter party, a coalition of movement activists, trade unionists, and aspiring members of the political class, represents a promising but very contradictory political option for the social movements. Insofar as the social movements control the representatives of the PT and utilize them to create an alternative basis of political power and representation, this marks a rupture with traditional politics. Insofar as the political leaders of the PT, participating in the electoral process, gain access to state office and become members of the political class, they inevitably become enmeshed in the commitments and constraints of existing state power. They have a tendency to adapt to and negotiate with the existing economic elite, politicians of the central government whose every move is conditioned by the strategic task of separating the electoral officials from control by the social movements, of forcing them to assume greater 'responsibility' for managing the 'whole economy' and of jettisoning the radical structural changes propounded prior to their election.

The PT stands today between the class demands of the movements and the pressures of the institutional and economic powers. It is inside of the political class and part of the movements: is it to become a mediator between the classes or the protagonist of movements? The electoral defeat of the PMDB in all the major cities of Brazil during the municipal elections of 1988 reflected the rising conflict and scope and depth of the movements. Unquestionably, the social movements are in ascent, yet the basic question remains whether the movements can pose an alternative through the new reformist/populist and radical members of the political class or whether they will be subordinated to it and the existing order, thus prolonging the crisis.

Colombia also went through a process of growth and repression of mass social movements, beginning in the late 1950s and early 1960s with the establishment of peasant controlled communities, the 'red republics', under the auspices of rural guerrilla movements, particularly the Colombian Revolutionary Armed Forces (FARC). In a parallel development, a vast peasant movement gained ascendancy during the 1960s, challenging the two-party electoral system and confronting the landowner class. The 1970s witnessed the emergence of a vast array of urban community, civil neighborhood, human rights, and other social movements. Operating outside the elite-controlled two-party system and parliament, they constituted a major challenge to the political class. Organized in regional and, subsequently, national networks, these movements partially eroded the clientelist networks of the Conservative

and Liberal Party elites and their 'dissident' but inconsequential factions and critics.

Extraordinarily high abstention rates in the electoral process are matched by an intensification of activity in the civic arena reflecting the dual process of deteriorating bourgeois hegemony and political authority, and the strengthening of civil society based on forms of direct democracy through popular assemblies at the place of work and habitation. The political class threatened by the newly organized movements responds in a dual fashion: a reform faction has tried to renovate the electoral system, opening up elections for municipal office – thus hoping to enlarge the political class, thereby coopting movement leaders. The reactionary and dominant faction backed the military, police and their auxiliary paramilitary death squads engaged in a violent campaign against the barrio activists and local leaders in the social movements. By the mid 1980s, five movement activists a day were being assassinated by what the regime referred to euphemistically as 'unknown extremists', and what human rights authorities acknowledged to be off- (and on-) duty military and police officials. This use of terror by the Colombian state is directly related to the weakening of the electoral process, and is meant to force politics out of the streets and popular assemblies and into the electoral framework of personal favors and vertical allegiances.

While between 50 and 60 per cent of Colombians abstain from voting, there has been an effort to unify the labor movement into a single confederation, to create a national coordinating committee of civic associations, and to reconstruct the peasant and Indian organizations in rural areas. At the same time, the guerrilla movements have proliferated and appear to be growing, particularly the FARC and the National Liberation Army (ELN). Since the early 1980s, the guerrilla groups have built a substantial support structure covering rural villages and urban barrios, despite the activities of the death squads. Meanwhile, the regime has resorted to an active policy of terror in an effort to sever the ties between the insurgents and their social base.

Attempts by the Colombian political left to enter into the limited electoral space opened by the elite reformers has been stymied by the state's military and paramilitary forces. Over five hundred left-wing Popular Union activists and candidates who tried to participate in the electoral process during the 1988 municipal elections were assassinated. The conflict between civil society and the political class in Colombia is more transparent than in Brazil and Argentina, and unmediated by populist, reformist, or radical elements active in the latter countries. Except for the electoral alliances concocted by the Communist Party with the perennial 'progressives' in the Liberal Party, the movements have

few opportunities to exercise pressure on the political class but, at the same time, are less vulnerable to manipulation. As a result, the conflicts over redistributive issues or even wage and/or public services have been resolved by the elite through deadly force: wholesale massacres of banana workers, fishermen, oil workers, and so on, reducing the margin for movement-style, non-violent direct action.

In Chile, between 1973 and 1983, the Pinochet military regime appeared to be in command. The vast popular movements of the late 1960s and 1970s had been decimated and destroyed. When not busy with campaigns to pressure European and North American policymakers to force Pinochet to step down, the opposition political class was active in making and re-making alliances among themselves as an alternative to Pinochet, hoping to find a dissident 'democratic' general to take them seriously and negotiate a peaceful transition to electoral politics. But in Chile politics does not exclusively revolve around party splits and multi-party alliances, nor does the axis of politics always pass through the doors of foreign affairs ministries in Washington, Bonn, Amsterdam, Stockholm and Paris – or for that matter, Moscow, Berlin and Havana. In 1983 after years of slow but sustained organization, the social movements re-emerged as major actors in the Chilean political scene. Barricades, municipal uprisings, massive street demonstrations, general strikes and, above all, the proliferation of a vast number of neighborhood, community, women's and unemployed organizations spread and began to crystallize. The popular defeat of 1973 was clearly conjunctural. Moreover, the reconstitution of social movements in civic society from the bottom attests to their deep roots and popular resonance. The *poblaciones* (poor peoples' residential neighborhoods) recreated the popular assemblies, elected committees, set up public debates and social solidarity networks that the Pinochet secret police sought to destroy. The movements bypassed the opposition political class, both in the style and substance of its politics: rude, direct action from below replaced the urbane negotiations by trained lawyers; concrete programmatic demands growing out of the specific class conditions replaced the verbose legalistic jargon of the aspiring 'governing class'. Pinochet met the social movements with violence: massive military encirclement and occupations of neighborhoods (complete with helicopters, and infantrymen with fixed bayonets, camouflage uniforms and charcoal-covered faces). Over eight hundred victims, almost all working class, formed one part of the balance sheet. The other part was the move by Pinochet and his US allies to move to open electoral space for the opposition political class. By the end of 1986, the dual strategy of movement repression and electoral opening for the political class (the legalization of certain parties and the organization of the plebescite) began to gain momentum.

The political class – heavily funded from outside – quickly mounted a substantial electoral apparatus and subordinated all autonomous movement activity to the plebiscitary campaign. Repressed by the regime on the one hand and appealed to by the political class on the other, the movements entered into a conjunctural 'alliance' with the political class to defeat Pinochet, hoping that the political changes would create the momentum for socioeconomic changes. The vast array of foreign financial foundations, centers for popular promotion and an army of lower-middle-class researchers sought to capture control of the movements, displacing or manipulating their combative grassroots leaders and preparing them for the electoral struggles of the political class. The apparent convergence over the 'return to democracy' masks the underlying divergence between the conformist-elitist political goals of the political class and the socioeconomic demands of the popular social movements. The political class has set its sights on re-establishing the electoral system and opening space for power sharing with the economic elite and the military, while the social movements in the *poblaciones*, the 50 per cent of the population systematically denied for fifteen years, the half million farm workers employed for four months out of the year, and the one million unemployed youth want to change their class position. The logic of the struggle of the social movements leads directly to a democracy based on popular power and not merely the substitution of a civilian for a military elite. As in Argentina and Brazil, the autonomous social movements have been the driving force creating the opening of political space, which however, in the first instance, tends to be occupied by the political class whose first task is to negotiate its ascent to power sharing by demobilizing the movements and substituting a political-legal agenda for the substantive, redistributive demands of the popular classes.

The apparent ascendancy of the electoral political class during 1988–90 is based on a conjunctural convergence – opposition to Pinochet – and it is inconceivable that the convergence (or subordination) of the social movements and political class will be of any great duration, given the deep underlying class differences and political traditions.

Peru was one of the earliest transients to electoral politics. The massive general strikes, the prolonged resistance and the political radicalization of the *barriadas* or squatter settlements had, by the end of the 1970s, forced the military regime to beat a hasty retreat, opening the way for the neo-liberal Belaunde regime. Five years of liberal orthodoxy left the country with a stagnating economy, a bankrupt treasury and living standards in sharp decline. The social movements were pressing a radical agenda in urban housing, employment and rural development. Mounting the wave of popular discontent, Alan García turned the APRA

(American Popular Revolutionary Alliance) party toward moderate nationalist-populist politics, hoping to capture the allegiance of the social movements, defuse the growing guerrilla insurgency and establish APRA hegemony over civil society. Substantial sectors of the supporters of the social movements gave APRA conditional electoral support, thus providing the decisive margin for García's 1985 presidential victory over the candidate of the left-of-center electoral front – the United Left – headed by Alfonso Barrantes. For two years, García experimented with a series of measures to stimulate national capitalist investment and to promote piecemeal reforms. His cap on foreign debt payments allowed his regime to stimulate local demand. Local capital responded by increasing production through unused capacity and channeling earnings out of the country or into financial and non-productive investments. As international loans dried up and as new investment was not forthcoming from the 'national bourgeoisie', García sought to 'discipline' capital by cutting off flight capital and financial speculation by nationalizing the banks. Instead, capital launched a full-scale offensive: an investors' strike sent the economy into an ever-deepening downward spiral. Caught between the financial squeeze of the international bankers and the investment strike of the national bourgeoisie, and unwilling to break decisively with both and turn toward the social movements, García capitulated, returning to the orthodox formulas of the IMF (while not borrowing from the Fund) and attempting to mend fences with local and overseas financial and investor groups.

Falling between the dual poles of neo-liberal orthodoxy and the militant egalitarian movements for popular power, García's last year in government witnessed the radicalism of both bourgeois and popular movements: on the revolutionary left, the armed guerrilla movements of the Tupac Amaru Revolutionary Movement (MRTA) and the Sendero Luminoso (Shining Path); on the extreme right, the oligarchical coalition supporting Vargas Llosa and the paramilitary death squads. By the late 1980s, the social movements have established a very dense network of organizations linking urban squatters, peasant communities, labor organizations, soup kitchens (*ollas comunes*), with semi-structured coordinating bodies organized around all-inclusive umbrella organizations. The social movements are flanked on two sides: on the left by the guerrilla movements and on the center-right by the electoral political class, composed of the traditional-legalist Marxist, social democratic and nationalist parties.

Guerrilla activity has spread from the backward highlands to Lima and the coastal cities; the military and the conservative/social-democratic political class have responded by militarizing the country: over 16,000 people have been killed since the Belaunde regime took power, most of

the victims unarmed peasants executed by the military. The victims also include many lower-ranking officials and even members of commercial and agrarian strata killed by the Sendero for alleged complicity with the state.

The burgeoning social movements, the increasing military confrontation, the intense political polarization and the collapse of the economy has led to a substantial exodus of upper-middle-class, and even lower-middle-class Peruvians. The social movements have extended domains of influence and control in urban and rural areas. In the countryside, the *rondas*, self-defense units established to protect peasants from the ravages of bandits, the state and, in some cases, outside guerrilla forces, have become commonplace in the Sierra. In the urban areas, transport fares, water supply and public services are overseen by squatter settlement organizations. Popular movement hegemony is stronger in Peru than in practically any country in the hemisphere and is the principal reason for the increase in state violence and investor flight.

Peru is approaching a system of 'dual power' in which two sets of conflicting authorities compete over the same terrain. As matters stood in early 1989, the conflict between the political class which controlled the state and the social movements which dominated civil society was at a stalemate: neither had the power to decisively defeat the other. However, the decay of the regime and the growing support for the radical left suggest that a decisive confrontation may soon be approaching. Peru's political class is sitting on a time bomb with shrinking political space within which to maneuver. Politics is drifting toward militarization and civil war: the cities are increasingly occupied by the rural poor, refugees from poverty and militarization; and the upper classes batten down the hatches in the shrinking enclaves of San Isidro, Monterrico, and Miraflores, pressing for decisive military action. But the larger question remains: can the left ever unify behind a coherent program? Can it merge with the social movements and meet the challenge from the armed right? Will the left political class's electoral ambitions and international ties to social democratic and foundation forces assert priority over their links to the radicalized social movements?

Central America, particularly El Salvador, Nicaragua and Guatemala, were the epicenters of movement mobilization during the late 1970s and early 1980s. Throughout the 1970s, and despite severe repression, the social movements grew in scope, breadth and intensity. In Nicaragua the urban insurrections paved the way for the construction of the Sandinista movement, integrating women, barrio and civic movements. Outside of the movements, the bourgeois and communist parties were incapable of mounting a sustained and consequential campaign to overthrow Somoza. Only the social movements with their flexible format, face-to-face

organization and grassroots structure could sustain and even intensify their activity in the face of the genocidal attacks by the US-backed Somoza regime. The Sandinistas succeeded precisely because they were able to fuse their struggle, structure and action with the movements' and provide them with a focus on state power.

In El Salvador, the dense network of peasant and urban organization included the greater part of the economically active population. Christian base communities, neighborhood associations, unemployed youth movements, trade unions, teachers' unions, entire villages and regions were organized into institutions of popular power. In contrast to Nicaragua, however, massive US military intervention in the form of military missions, billions of dollars in aid and, above all, the organization of state terror, decimated the social movements: between 60,000 and 70,000 movement activists, sympathizers or supporters were murdered during the late 1970s and early 1980s.

In less than a decade after the bloody purges, the social movements have re-emerged to challenge the electoral political class and their military-police allies. The resiliency of the social movements is based on the deep popular roots of the earlier democratic experience. The practice of direct self-rule based on popular assemblies, the open structures and popular programmatic demands have once again attracted a mass following, particularly in light of the worsening economic crisis and the widespread corruption and enrichment of the entire political class.

The electoral process and the political class were not able to coopt the populace fragmented by state terror. The electoral process was based on ritualistic voting – more an escape from the terror than an enduring loyalty to the Christian Democrats. The demise of their political project has set in motion the mass movements – and the growing polarization of political society. The burgeoning power of the social movements and the continuing power of the guerrilla organizations has been paralleled by the mobilization of the totalitarian right, the ARENA (Alianza Republicano Nacionalista) party, with its threat of 'total war' against civil society – the 'Guatemala solution'.

In Guatemala we find the ultimate expression of the logic of conflict between the state and the dominant class against a highly mobilized and organized social movement: mass genocide. Between 1980 and 1985 over 100,000 organized movement activists, sympathizers or their family members were exterminated. Several scores of Indian villages ceased to exist. State terror was the essential basis for the re-emergence of the political class, the electoral process and the election of the Cerezo regime as the legitimator of the new military, social and economic order. The political class was reformed on the skeletons of the social movements. But even in Guatemala the dominance of the political class is conditional

in a double sense: dependent on the support of the military and on the atomization of civil society.

By the late 1980s, the social movements were re-emerging, although not on the same scale as in the late 1970s, to protest about the disappearances, the regime's neo-liberal economic policies, and the lopsided land tenure system. After a period of the most horrific state terror, unprecedented anywhere in Latin America during the second half of the twentieth century, this revival of the movements testifies in extremes to the vital link they retain to the everyday life, experiences, hardships, and need for solidarity of the Guatemalan masses. More than any other country, this development captures the profound roots that popular democracy has among the newly politicized citizens of the slums and villages.

Conclusion

It is clear that over the past thirty years social movements have been major political forces shaping the political agenda, either as subjects of innovative social transformations and forms of political participation or as objects of unprecedented violence. The dynamic qualities that allow the movements to build vast networks of activists are the very same ones that provoke the deep-seated hostility and opposition from the dominant classes. Hence the striking contrast of our times: Latin America has experienced to an unprecedented degree both the deepening and extension of popular democratic participation and the most systematic state repression since the European conquest.

The connection between popular democracy and state terror is not casual. The expansion of movement-based popular democracy is linked to the severe erosion of bourgeois hegemony, as well as challenging the dominant role of the military-civilian political class. Movement politics begins through the reconstruction and strengthening of civil society against the state; it strengthens horizontal social solidarity against vertically structured markets, and it counterposes forms of direct political representation, debate and a popular vocabulary to the indirect forms of elite representation by the professional political class, with its mediating (at best) or manipulative (at worst) style of politics and glib political 'discourses'. Because movement politics resonates among the poor and cuts deeply against the grain of so many fundamental interests of the elites, it evokes pathological violence from the latter and the enduring loyalties of the former.

The recurrence of social movements, both in time and space (throughout the continent over the past thirty years) and their resilience (their

capacity to reconstruct collective consciousness) despite massive and savage repression is testimony to their deep roots in Latin American culture.

The growth of movement politics is not linear nor is it immune to influence by non-movement political processes, in particular to liberal democratic, populist or social democratic appeals. As we have discussed, movements have arisen (for example, in Chile between 1965 and 1973) and been destroyed (1973–82), risen again (1983–86) and ebbed (1986–89). The trajectory of the movements may not be linear but there is a considerable carry-over of experiences; in particular, there are opinion leaders and a collective consciousness to reconstruct the basis for movement action beyond the political detours. Movements do not always advance forward and upward, but the political class and the civilian and military regimes have proven to be incapable of creating enduring constraints on the movements. Neither the populists nor the liberals have been able to permanently incorporate the activists or movement constituents into their political machinery. Rather, as we have seen, there are, at best, conjunctural convergences between the political class and the movements punctuated by tensions and countervailing claims, followed by cleavages and political divergences.

An objective overall survey of the major societal transformations that have occurred in Latin America over the past thirty years would have to conclude that sociopolitical movements have been the determinant factor, directly or indirectly. The only two *social revolutions*, the Cuban and the Nicaraguan, were led by movements (the July 26th Movement and the Sandinista Front for National Liberation), not by parties or by leading personalities from the electoral political class. Secondly, the major *agrarian reforms* undertaken in Latin America – in Chile during the Frei-Allende period and in Peru under Velasco – were preceded by an unprecedented degree of mass mobilization and direct action by non-parliamentary movements. Thirdly, the *displacement* of the region's military rulers was largely the product of mass popular movements – the 'Cordobazo' and related uprisings in Argentina (1969–73), the mass popular struggles in Brazil during the early 1980s, and the general strikes in Peru in the mid to late 1970s. Fourthly, the creation of *new civil organizations*, politicizing and organizing previously uninvolved poor people, has been largely the product of the social movements: in Colombia, while more than half the electorate abstains from national elections, the social movements have created a massive network of local membership organizations that involve many of the abstainers; in El Salvador and Guatemala, peasants and Indians bypassed or excluded by the electoral political class have been deeply involved in movement activity. Fifthly, the social movements have created an *autonomous*

political culture that draws on diverse traditions from the Theology of Liberation, movement Marxism and classical democratic theory. The elite efforts to impose corporatist structures have been largely unsuccessful, undermined by democratic popular movements that grow parallel to and eventually replace these authoritarian statist institutions.

The democratization of Latin American civil society has proceeded far in advance of the democratization of the state. The construction of civil society through the diverse movement organizations and actions have created a tradition of popular participation, assemblies and elections without the limitations and authoritarian constraints and elite alliances that characterize the transition to electoral regimes. The electoral regimes embedded in authoritarian states have generally been hostile to the movements, occasionally responsive to specific pressures and seldom in accordance with its strategic aims.

The recent transitions to electoral politics in Latin America were partial and probably are 'temporary'. The class content of the electoral regimes – their commitments to the overseas bankers and local rich – has been instrumental in shaping a close working relationship with the military. The electoral class has initiated a process of militarization of politics to counteract the rising social movements, thus radicalizing political conflict. The neo-liberal and reformist-nationalist policies have failed to stem the economic slide and growing social polarization. The result is that the electoral regimes have failed to consolidate power and establish hegemony over civil society.

On the other hand, it is clear that the defeats of the social movements over the past decade were conjunctural, not historic: the movements were not set back for decades, nor the populace atomized. In the late 1980s, the social movements are on the ascendancy everywhere, but at an uneven pace with disparate political-economic characteristics.

In Chile and Mexico the movements are demanding social and political democratization, attacking the military and party dictatorships. The massive defeat of Pinochet in the plebiscite and the defrauded victory of Cardenas in Mexico were products of movement mobilization. The social movements are strong at the grassroots level, but weaker at the national level – thus making them subject to manipulation by the political class in the immediate conjuncture. Both the ex-PRI leaders grouped around Cardenas, as well as the Christian Democrats in Chile, offer few prospects for consolidating movement power. Nevertheless, the movements are playing a major role in undermining the existing political monopolies and are likely in the new electoral context to reassert their socioeconomic demands against the political class.

In Argentina, Colombia, Guatemala and Bolivia, the labor movements, civic organizations and in some cases peasant movements have

re-emerged and have focused on 'defensive economic struggles', trying to stem the decline in living standards, the privatization of industry, the closing down of public enterprises and state encroachments on basic human rights.

In Brazil the movements are moving beyond 'defensive' to offensive positions, challenging the power and prerogatives of the governing party and supporting radical political alternatives (PT, PTB) that promise to be responsive to movement demands for social-economic transformations. The limits of the electoral leadership of these parties, however – their tendency to become 'crisis managers' – suggest that the 'offensive' phase of movement politics will have to look beyond the electoral realm or revert back toward defensive struggles, against their 'own' elected representatives.

In El Salvador and Peru the popular movements are clearly on the offensive. In El Salvador the military power and political support of the FMLN have created a dual power structure challenging the disintegrating Christian Democratic political class and the military rulers. In Peru, the social movements dominate the major sectors of the society, the main plazas and downtown streets, and are firmly entrenched in the urban slums and rural villages. The guerrillas are growing, have extended their network to the major cities and openly appear in the major demonstrations: the regime and state are under siege. In both countries conditions exist for a popular challenge for state power or for the launching of a massive and bloody counter-revolution by the military and the dominant classes.

The movements thus share a central locus in the democratization process and beyond, in the redefinition of the relationship between state and society. The movements have created with their action a new political experience which shapes a new tradition of political practice, one profoundly alien to the post-modernist 'discourse'. We are not in a period of the end of ideology, but in the age of ideology linked to direct popular participation. Class politics have not been replaced by 'modernization'. They have been reinvigorated and have found new sites for struggle, new forms of organization. The operationalization of the political discourse of the post-modern ideologues has turned into a nightmare for the populace: social consultation (*concertación social*) has turned into a formula by which liberal-electoral regimes subordinate labor to regressive neo-liberal economic strategies. Needless to say, after several social pacts ended with labor incomes frozen, while prices spiralled upward, movement confidence in regime commitments to 'equal sacrifice to consolidate democracy' ebbed and faded.

Post-modernist conceptions of classless democracies have also passed into the history of dead discourses. The class-biased austerity programs,

large-scale transfer of foreign exchange to overseas bankers and increased collaboration between the military and liberal regimes have shattered any residual hold which post-modern rhetoric might have on democratic practitioners in the popular movements. Everywhere in Latin America the class basis of the electoral political class is a point of departure for any discussion of political strategies and social mobilizations.

The efforts by post-modernists to patch together a new synthesis of liberalism and democratic socialism on the basis of neo-liberal economics, electoral processes and vague references to the positive role of civil society have come apart as the market has polarized 'civil society' and the political class, playing according to the capitalist democratic rules of the game, has come into conflict with the social movements playing according to the needs of their impoverished social constituents. The deep contradictions between the concentration and centralization of financial and export capital and the declining incomes and increasing precariousness of the working class have exploded the consensual politics that the post-modernist ideologues postulated as the realist conception of democratic consolidation. In retrospect, the decline of the electoral regimes is precisely the responsibility of the post-modernist ideologues who willfully accepted the subordination of the electoral process to a pact with the departing military, the debt obligations, and the neo-liberal export model, and thus provoked the deep socioeconomic fissures that have agitated society from top to bottom.

The eclipse of post-modernist ideology within the practice of the social movements has not been accompanied by a similar process among the institutional intellectuals of Latin America. The latter, constrained by the political-economic values of their overseas donors, still seek to bridge the gap between the political class and the social movements, suspension of debt payments and the continuation of external financial linkages (including their own). The divergence between the institutional intellectuals and the social movements is profound, even as it is occasionally obscured by the flow of research and educational funding that seemingly brings the two into some kind of working relationship. Paradoxically, the growth of the movements and the decline of the electoral regimes may once again open the spigot of outside funds for the Latin American institutes, as the foreign donors become increasingly preoccupied with possible revolutionary threats to their permanent interests. In this context the institutes in their capacity as experts and advisors can thus function to direct the movements toward 'democratic class struggles', that is, struggle within the confines of the electoral political framework.

There are limits on what all the intellectual, electoral and even military forces can do to contain the resurgence of mass popular movements.

Objective conditions are maturing for a revival of revolutionary politics. The major unknown is whether forces will emerge which are capable of translating the local democratic demands of the movements into a national political project capable of taking state power. Numerous questions arise: Can the vast array of movements be unified into a coherent force capable not only of displacing incumbent reactionary regimes – electoral or military – but of creating a movement-controlled regime? Can the movements develop a strategy to meet the increasingly militarized repressive policies of the electoral regimes? Can the movements and the guerrilla movements develop a common basis for action that subordinates military organization to the democratic control of the social movements? Can the movements convert the institutions and assemblies of popular power into new direct forms of representation at the national level?

The cumulative grievances of the 'lost decade' of the 1980s are building once again toward major confrontation in the 1990s. The growth of the popular movements is posing the basic question of state power: the issue is whether the left can respond to the unfolding historical opportunities.

Notes

1. See Barbara Stallings, *Class Conflict and Economic Development in Chile, 1958–1973* (Stanford: Stanford University Press), 1978, pp. 97–124; Brian Loveman, 'The Transformation of the Chilean Countryside' in Arturo Valenzuela and J. Samuel Valenzuela, eds, *Chile: Politics and Society* (New Jersey: Transaction Books), 1975, pp. 238–96.

2. See Stallings, *Class Conflict*; Ian Roxborough et al., eds, *Chile: The State and Revolution* (London: Macmillan), 1977, pp. 71–186; Philip O'Brien, ed., *Allende's Chile* (New York: Praeger), 1976, pp. 1–26, 166–91; Andrew Zimbalist and James Petras, 'Workers' Control in Chile During Allende's Presidency', *Comparative Urban Research*, Vol. III, No. 3, 1975–6, pp. 21–30.

3. See James Petras and Robert LaPorte, Jr, *Cultivating Revolution: The United States and Agrarian Reform in Latin America* (New York: Random House), 1971, pp. 252–330.

4. See Cynthia McClintock and Abraham F. Lowenthal, eds, *The Peruvian Experiment Reconsidered* (Princeton: Princeton University Press), 1983; James Petras and A. Eugene Havens, 'Peru: Economic Crisis', *Monthly Review*, Vol. 30, No. 9, February 1979, pp. 25–41.

5. Ernesto Laclau, 'Argentina – Imperialist Strategy and the May Crisis', *New Left Review*, No. 62, July–August 1970, pp. 3–21; James Petras, '"Regionalism" and Working Class Politics in Argentina', *Liberation*, August 1972, pp. 60–68; Juan E. Corradi, *The Fitful Republic: Economy, Society, and Politics in Argentina* (Boulder and London: Westview Press), 1985, pp. 83–96.

6. Gary W. Wynia, *Argentina in the Postwar Era* (Albuquerque: University of New Mexico Press), 1978, pp. 203–35; Corradi, *The Fitful Republic*, pp. 97–152.

7. See Carlos M. Vilas, *The Sandinista Revolution: National Liberation and Social Transformation in Central America* (New York: Monthly Review Press), 1986; John A.

Booth, *The End and the Beginning: The Nicaraguan Revolution* (Boulder: Westview Press), 1982; George Black, *Triumph of the People: The Sandinista Revolution in Nicaragua* (London: Zed), 1981.

8. See, for example, Cynthia Brown, ed., *With Friends Like These: The Americas Watch Report on Human Rights and US Policy in Latin America* (New York: Pantheon), 1985; also studies published by independent human rights monitoring organizations such as *Amnesty International*, *Americas Watch*, and the *Council on Hemispheric Affairs*.

7

Latin America's Transnational Capitalists and the Debt*

The large external debt of Latin American countries continues to pose serious problems for both the debtor countries and the international financial system as a whole. On the one hand, debt repayment is an unremitting burden on Latin American countries, sapping their economies of vital local investment necessary for growth. On the other hand, the possibility of debt suspensions threatens to disrupt the entire international financial system. For the USA, the payment of Latin American debt increases the US trade deficit both by directly substituting for the importation of manufactured goods and indirectly by slowing growth in debtor countries. Yet despite the extent and seriousness of the problem little discernible progress has been made toward its resolution.

Debtors and lenders face three roads: first, to continue on the present path of paying and not growing – a path which is recognized as being ultimately unsustainable. Second, to devise schemes which in some manner allow growth by delaying or slowing repayment (for example, the Baker Plan proposals). But this second road is strewn with many political obstacles. It requires a large number of lenders to agree to a plan which will impose costs unevenly. Also, for the debtor countries these schemes define growth in terms of the needs of lenders and do not tend toward a goal of self-directed growth. They appear to merely institutionalize a form of transnational exploitation. The third option is for debtor countries to engage in unilateral or concerted suspensions of debt payment. A moratorium would cut the Gordian knot of debt payment with one stroke.

*With Howard Brill

Some Latin American and African countries have made moves in this direction. Brazil's declaration of a unilateral debt moratorium is the most dramatic example. Peru's 10 per cent cap on debt servicing has had positive effects: an 8 per cent economic growth rate with income, employment, and industry expanding at near historic high levels. Peru still obtains short-term credits, it has not had its external markets closed, nor has it had its assets seized. On the other hand, medium and long-term financing has dried up, while reserves and local investment are being exhausted. The path of independence has not been decisively taken by Latin American countries. The economic gains made by many Latin American countries in the 1960s and the 1970s are being lost under the crushing burden of debt, creating a visible and unambiguous development of underdevelopment.

An obvious question is why Latin American regimes continue to finance debts despite the numerous adverse affects? Our approach is to focus on and identify the internal socioeconomic class or classes which have a direct interest in the continuation of debt payments and which benefit from conformity with externally imposed austerity programs. Our hypothesis is that this class, which we identify as Latin America's transnational capitalists, has been influential in shaping the debt policy of Latin American regimes and that it continues to operate in Latin America as an important power bloc shaping the Latin American response to international economic issues.

Alternative Approaches to Debt Policy: Game Theory and Class Analysis

One approach to understanding the debt payment issue is to examine the different and possibly conflicting interests of key actors. A number of studies have followed this line of inquiry using the formal representations of game theory. It is also possible to frame the debt problem in terms of the international institutional structures; in particular, the lack of an effective hegemonic or stabilizing agent which could impose a solution and/or shoulder a large proportion of the costs.[1] While both these approaches can add to our understanding of the situation they treat the debt problem as essentially a matter of commonly denominated costs which must be distributed among actors. Simply put: who pays the debt and who decides? But the debt problem itself is a product of relationships which operate at world, national, and institutional levels. The matter is not simply one of distributing costs between actors, but more fundamentally the nature of relationships which set the context of different actors' interests.

Game theory seems to be an extremely appropriate analytical technique in this case. Most of the assumptions required for a game theoretic analysis are clearly valid. The actors can be reasonably described as rational in the sense required by the technique (some, no doubt, use game theory to guide their decisions). The utility functions of the actors are not mysterious but are based on economic gain or loss (and therefore, that class of games which requires coalitions to distribute divisible utility can be used). The consequences of different strategies can be reasonably surmised and by 1987 most actors' knowledge is as complete as these things ever are in the real world. However, in real historical situations it is possible for the context which undergirds distributional gains and losses to be far from a state of equilibrium. In other words, the rules of the game can change. The mapping between strategy sets and utility functions in 1987 is not necessarily the same as the mapping in 1983. The debt problem is a problem because it is transforming the accumulation process and it cannot be resolved without further altering the set of relationships between capitalist enterprises, states, and labor. The actors in this game are remaking the game and are being remade by it. A game-theoretic perspective can help us understand the difficulties that actors with *common* interests can have in forming a collective response. But class analysis illuminates the problems involved in correctly identifying key actors and and their interests since social categories such as 'state', 'country', 'business', or 'labor' frequently obscure *divergent* interests or *convergent* interests between seemingly antagonistic groups.

Part of the difficulty in understanding why regimes pursue debt payments despite their negative impact on national development is that it is not always clear what the particular interests of the various actors are since, in fact, these interests are changing. There are divergent interests within both lending and debtor countries. In addition, states are not actors with singular interests (the 'national interest') but are complex historical formations which are the product of alliances and conflicts between different classes and class strata. Therefore state policies towards debt payment cannot be seen as an implementation of an objective national interest which can be defined outside of a class frame of reference. Indeed, some class interests are not defined solely by local conditions but also by the presence of transnational circuits of labor (migratory circuits), trade and finance. It is necessary to conceptualize the effect of the relationship between financial circuits and local capitalists on state policies of debt payment. The ability of capitalists to enter transnational circuits alters their interests in the local production process. Local economic stagnation, at least in the short run, is not necessarily abhorred by all local capitalists. The availability of transnational circuits allows capital to escape harsh local conditions at

one moment while benefiting from the relative devaluation of local assets at a later moment.

Indeed, a consequence of the prolonged period of debt-associated austerity in many Latin American countries is the devaluation of assets. While a disaster for many, austerity provides those with liquid capital enormous opportunities to renew the accumulation process by purchasing local assets at bargain basement prices. Large-scale capital flight from Latin American countries to the USA served to protect a portion of locally generated capital from the high risks of local investment during austerity. But by lowering asset costs the debt problem expands future opportunities for flight capitalists if they choose to repatriate their capital. For some Latin American capitalists the repayment of the debt is in their interest because their capital has been freed from local risks and has joined an international circuit. Paradoxically, it is the success of local capitalists in internationalizing their activities that weakens local efforts to resist foreign pressures to sustain high levels of debt repayment.

Transformations in International Financial Flows

We will argue that a massive expansion and deregulation of international financial flows began in the 1960s, accelerated in the 1970s and led to the crises of the 1980s. The channels of circulation of capital that were initially organized to facilitate the flow of capital from the North to the South have, since the advent of the crisis in Latin America, served as a circuit for the massive outflow of Latin American investment to the North. Essentially Latin America is a debtor region which contains 'creditor' classes. The net effect is one in which the state socializes the private debt, while the creditor classes obtain the benefits of interest income in the North and risk-less earnings in the South.

The creation of a large external debt by developing countries and the eventual crisis associated with the servicing of that debt is a consequence of the internationalization of production.[2] The internationalization of production in the late twentieth century involves the coordination and control of dispersed production by multinational corporations (MNCs). In this new form of international production, cross-national linkages are no longer mediated by market relationships but can instead be governed by intrafirm coordination or by centrally controlled subcontracting. The centralization of production on a world scale increases the mobility of capital therefore allowing it to take greater advantage of differences in prices. This is seen most clearly in the incessant threat by MNCs in wage disputes to simply move production elsewhere. This is paralleled by the MNCs' relationship to small local capitals which provide intermediate

goods or services. The centralization of world production not only allows capital to seek the lowest costs but also to force local prices toward the lowest world prices.

The development of centralized international production also establishes new channels for the circulation of capital. MNCs are motivated to take advantage of differences in interest rates, financial laws, and tax rates. Multinational firms which specialize in financial and currency transactions – the multinational banks – grew spectacularly in the 1960s and 1970s. During the 1960s the Eurodollar market, a combination of electronic networks and dummy banks on Caribbean islands which link and mask international banking, effectively outgrew and escaped the regulation of national monetary authorities. The internationalization of capital at both the levels of production and circulation occurred without any equivalent internationalization of state economic regulation.

The deregularized regime of accumulation was soon tested in the 1970s by the development of temporary supply bottlenecks of natural resources. Industrial capitalism in the West was gradually exhausting natural resources in North America and Western Europe. The scarcity of oil and other natural resources led to a sharp rise in the valuation of these physical assets. But, in hindsight, the tremendous engine of scientific and technological innovation created by mature capitalism also meant that these scarcities would be short-lived.[3] The sharp rise in the valuation of physical assets was followed by sharp decline in the space of less than ten years.

There are two different strategies for countries within a system of capitalist world trade for dealing with supply bottlenecks of essential goods (without expropriating those goods or restructuring economic activity). First, importing countries can increase their exports by investing and inflating their economies. Second, the importing countries can reduce their imports by setting up trade barriers and deflating their economies. At first the former path was taken. Third World countries, especially in Latin America, enlarged their foreign debt to pay for the growing cost of imports and to finance capital-intensive export industries. For developed countries the expansion of credit to developing countries served to maintain and expand foreign markets. This strategy required a circulation or recycling of capital from Western oil importers to Middle-Eastern oil exporters to Third World countries and back to Western countries. This circulation of 'petrodollars' occurred through the mediation of the international financial system which, of course, earned large profits. In the USA foreign banking assets grew from 8.5 per cent in 1970 to 21 per cent of total assets in 1976.[4] Profit margins on foreign assets were '30 per cent higher than on domestic assets', for the ten largest US banks.[5] However, what is important is not just the

increase in volume of international lending but the breakdown of the constraints on the movements of capital.

This strategy was based on an expanding world economy. But the expansion eventually slowed as the predictably unpredictable business cycle followed its course. Once the expansion slowed, the reproduction of the circulation of capital became more difficult. Interest rates rose, making both debt repayment and new investment more difficult. As investment declined it also became more difficult to realize profits on finished goods. The decline in business activity created further strains on the payment of interest and debt. It is precisely at this point that regulation became important because once the cycle of capital became disrupted there was a strong pull on every actor to bail out and thereby worsen the overall situation.

This typical sequence did occur in the late 1970s. By 1979 inflation, especially in the USA, had become relatively serious by North American standards. Deflationary policies subsequently led to increased real interest rates and reduced economic growth. Because much of the new external debt was borrowed at floating interest rates the costs of debt servicing increased rapidly. Interest and profit remittances in Latin America 'trebled between 1978 and 1981, with nearly half the increase (around $20 billion) attributable to the rise in nominal interest rates'.[6] Combined with sharp declines in commodity prices, the rise in interest rates created severe balance-of-payments difficulties for many countries. Debt rescheduling and renegotiations of loans rose from $5.5 billion in 1982 to around $90 billion in 1983.[7] The scale of the problem posed serious difficulties for lending banks as well as debtors. It was necessary to 'adjust' to the new deflationary regime, but how – when a large debt locked both bankers and debtors in the grip of an expanding and increasingly unpayable debt service?

The massive expansion and deregulation of international financial flows transmitted and amplified the deflationary crisis which developed in the late 1970s. The 'debt crisis' was one of the most obvious manifestations of changes in the location of production, the labor process, and relations of domination in the production sphere at both societal and international levels. The shift of industrial production from Western capitalist countries to developing Third World countries did not also include a transfer of other aspects of the Fordist model of accumulation (mass production and mass consumption). In the Third World the Fordist package of mass production (assembly-line techniques combined with Taylorist forms of labor process control) did not include mass consumption (a social welfare state and high wages). Some of the most successful of the developing countries – Brazil, South Korea, and Taiwan for instance – relied on heavy-handed authoritarian rule to control

labor and depress wage levels. But because of the greater interlocking of world production, labor demands in democratic, Western capitalist countries could also be restrained. The greater mobility of industrial capital weakened those classes whose existence was more rigidly secured to particular locations. In effect, while capital could reorganize itself on an international level, labor could not. The debt crisis was more symptomatic of a general reordering of economic relations than a unique event explainable solely in its own terms. The 'debt crisis' must be placed in the context of a more encompassing phenomenon – the internationalization of capital. In the next section we will examine how the development of transnational capitalists in Latin America affected the circulation of capital between Third World and Western countries.

The Circulation of Capital Between the USA and Latin America

Lending and borrowing are usually viewed as opposite and complementary activities. But simultaneously with the expansion of Latin American external debt there has occurred a large transfer of savings from Latin American countries to multinational banks. At first glance this phenomenon is difficult to understand – why borrow at high international interest rates if excess savings are locally available? Understanding this problem first requires us to recognize the obvious; it is not countries which are doing the borrowing or lending but members of classes and/or institutions. Access to capital is not equal for all members of a population but is a function of ownership of means of production. Equivalently, the ability to save is also related to class position; in Keynesian terms the marginal propensity to consume is inversely related to income. Secondly, the relationship between interest rates and risk is not linear. After a certain point high interest rates will no longer compensate for risky investments; high interest rates will increase the likelihood that a loan will not be repaid. Risk, after a certain level, must be socialized if the risk is to be taken. Thus, some credit may be held in the name of a country under the control of a state institution. Risk, in this case, is distributed throughout the population and enterprises of a country through the agency of the state; that is, by the state's power. But benefits and risks of investment are not distributed symmetrically. Capital flight is a product of the asymmetry between private savings and public debt under high risk conditions.

In class terms the beneficiaries of loans are not the same classes which suffer the risks associated with burdensome debt payments. While the owners of the means of production receive the bulk of the loans in the period of expansion, in times of crisis it has been the state – and more

specifically the labor force as a whole – which has socialized the debt, that is, assumed payments. The unequal distribution of benefits and risks, which has been the hallmark throughout the debt crisis, captures precisely the centrality of class relations in determining the nature of the state.

Most studies of the use of external debt in Latin America find that it was used for investment rather than consumption.[8] But despite the use of external debt for investment, capital flight offset a significant part of the capital inflow.[9] The IMF reports that countries which had debt servicing problems tended to use external debt to finance, 'a reduction in domestic saving'.[10] Publicly guaranteed external debt merely replaced private savings which were invested externally. In Latin America, it is estimated that $100 billion in capital has been transferred compared to a total debt of $368 billion.[11] External debt was in effect being used to finance foreign investment. One study noted that in Argentina, Brazil, Chile, Mexico, Peru, and Venezuela, 'it [was] quite evident that not all external debt was absorbed domestically'.[12] The estimates shown in Table 1 suggest that a significant portion of external debt was used to finance capital flight.

Table 1 Significance of Capital Flight on External Debt

Country	*Gross External Debt ($ billion in 1985)*	
	Actual	Without Capital Flight
Argentina	50	1
Brazil	106	92
Mexico	97	12
Venezuela	31	0
Malaysia	20	4
Nigeria	19	7
Philippines	27	15

Source: G. Koretz, 'Has Capital Flight Made the US a Debtor of Latin America?', *Business Week*, 21 April 1986, pp. 14–18.

Another study estimated that capital flight represented 47 per cent of the 'percentage change in gross external debt' for Argentina, 40 per cent for Mexico, 40 per cent for Venezuela, and 11 per cent for Peru.[13] Clearly capital flight is not an ancilliary phenomenon but an integral component of the debt problem.

Large-scale investments and bank deposits by Latin Americans primarily to the USA and Europe – 'capital flight' – registered the rise of a new class stratum in Latin America: the transnational capitalists. The growth and expansion of this class forces us to examine the debt problem in terms of Latin America's class structure. The debt problem is not so much a problem of poor investments within Latin America as a consequence of the investment behavior of Latin American capitalists operating within the international flow of capital. Local capitalists are transferring their savings to multinational banks which in turn lend capital to Latin American states. These states in turn lend to private capitalists. This behavior allows private capitalists to protect their savings while risking foreign debt which is guaranteed by the local state. External borrowing and overseas investment have become a lucrative economic way of life for a small but powerful stratum of capitalists. When local conditions are unfavorable, gains can be maximized through international financial circuits; national productive activity becomes secondary, almost a pretext for increasing flows of loans and overseas investment. When conditions become more favorable locally then capital can shift back from international circuits into local investments. In recent years the difficult economic conditions in Latin America have encouraged capital outflows.

It should be emphasized that transnational capitalists should not be reduced to a type of rentier capital. While we are not able to identify specific capitalists as 'transnational' or 'national' there is no theoretical reason why the same individual could not be involved in productive local investment while transferring private savings into foreign banks. International finance is the obverse side of international production. Even in the case of two distinct strata – one involved in local production for international markets, the other in international finance – there is still room for convergent interests. Capitalists involved in international circuits of production (export-oriented industry) need foreign credits to purchase capital goods and to facilitate trade. These capitalists have an interest in maintaining a relationship with foreign banks. The key distinguishing characteristic of transnational capitalists is not whether they are involved in production or not, or the location of their productive activity, but their access to and involvement in international markets which tie them to international capital flows.

The swings in capital flows into and out of local economies due to the activity of transnational capitalists not only have a direct effect on the business cycle by increasing or decreasing local investment but also an indirect effect by influencing local monetary policy. Alfonsín in Argentina attempted to repatriate flight capital by increasing interest rates. But Argentinian businessmen complained to the authors

in mid-1986 that high interest rates were making local investment more difficult. High real interest rates in the USA contributed to this problem by making a transfer of savings to the USA extremely attractive.

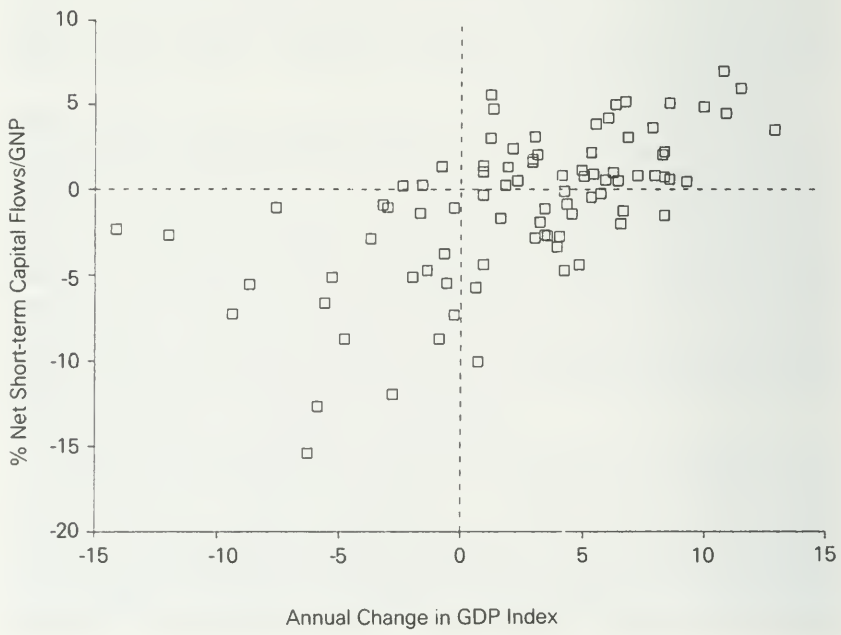
Khan and ul Haque argue that capital flight can be explained in terms of unequal risk. Domestic investments were riskier than foreign investments so investors transferred their savings into international financial markets while borrowing externally to finance domestic investments. Khan and ul Haque call this greater risk 'expropriation risk'; meaning that the greater risk was due to political rather than economic factors.[14] Khan and ul Haque provide no evidence to substantiate the claim that greater political instability was related to greater capital flight. The possibility of expropriation was certainly not realistic for the cases of Mexico or Brazil, nor is there evidence that the possibility of expropriation was seriously expected by private investors. But quite clearly unequal economic risk can be due to a depressed local economic environment (a result in some cases of an IMF austerity program) as well as some hypothetical political upheaval. The authors substitute an ad hoc political explanation for a critical analysis of the unwelcome consequence of free market behavior. It is more parsimonious to argue, in the absence of contrary evidence, that Latin American economies are riskier than North American and Western European economies and that local capital markets are not perfectly efficient.[15] Therefore, the differences between local and international interest rates do not fully reflect perceived differences in risk and consequently from the point of view of the individual it is rational, in the microeconomic sense, for private investors to transfer their savings to international capital markets.

There is a statistically strong inverse correlation between capital flight and economic growth for eleven South American countries.[16] Net short-term capital *inflows* as a percentage of GNP were positively correlated with the annual change in GDP index ($r = 0.618$, $p < 0.000$, $n = 87$).[17] If net short-term capital inflows are used as an inverse proxy for capital flight then capital flight as a percentage of GNP is inversely correlated with growth. The use of net short-term capital flows as a proxy for capital flight is a standard practice. The correlation between net short-term capital flows and growth can be due both to the effect of capital flows on growth and the effect of growth on capital flows. Separating out the reciprocal effects of growth and capital flows would require the construction of a simultaneous equation model which would require a much more detailed analysis of economic growth and capital flows in Latin America. Despite the strong correlation between net short-term capital flows and growth, the relationship is not unambiguous. Figure 1 is a scattergram of the net short-term capital inflows as a percentage of GNP by the annual change in GDP index. Note that many observation points

indicate that relatively high levels of growth occurred simultaneously with moderate levels of net short-term outflows. This is not surprising since both investment behavior and economic growth depend on past levels of economic activity and expectations about the future. While the statistical evidence presented here by no means demonstrates that poor economic growth contributes to capital flight it is consistent with that assertion.

In general, it is theoretically necessary to disaggregate a country's total stock of external borrowings and savings from the activities of individual capitalists and institutions. While simultaneous international borrowing and saving may appear paradoxical for a country, the paradox is resolved if we examine the behavior of individual capitalists. The use of an external circuit to shelter savings will divert a portion of the capital flow to foreign intermediaries. At the same time loans secured through the state are used by private investors to finance investment. For individual capitalists the external diversion is merely the cost of safeguarding their savings. For the country it increases the accumulated debt without generating compensatory productive forces to repay it. In sum, the risks of investment were assumed socially, that is by the state guaranteeing foreign debt, while

Figure 1 Economic Growth and Capital Flight



the benefits of investment went to private investors who transferred their savings and used external borrowings for domestic investment.

Capitalists who transfer their savings to multinational banks free themselves from local risk but depend on the reproduction of the international financial system. The old distinction between national and *comprador* bourgeoisie is not useful in understanding the position of these new transnational capitalists. The transnational capitalists may organize production locally but be financially linked to international capital. Debt repayment for these capitalists both insures the solvency of multinational banks that hold there savings and provides new investment opportunities locally by reducing asset costs. It is important to recognize that policy towards debt repayment in developing countries is shaped by conflicting class interests – there is no class-free national interest. Austerity has a different meaning for those who are able to move their assets outside the domestic environment than for those classes whose assets or livelihood are immobile and are being directly affected by debt payments and IMF austerity programs. Indeed, assets denominated in foreign currencies will not only be safer but will appreciate even more as the domestic currency is devalued.

In a world economy characterized by unequal risks, liberalized international finance results in the growth of transnational capitalists from debtor countries while simultaneously increasing the countries' total external debt. The growth of the external debt is compatible with net capital transfers out of the debtor country. Large capital flows from the West to Latin America in the 1970s were accompanied by a return flow from Latin America to the West. Rather than simply financing new investment the capital flow from the West financed the transfer of local savings to Western banks. Local capitalists utilized an international circuit of capital to free their private savings from domestic risk.

However, the formation of these circuits were not merely economic events but were also political. The major political events in Latin America that facilitated the growth and reproduction of these international circuits were the ascendancy of a series of military and civilian regimes which were committed to free-market policies that included the deregulation of financial channels. To a large extent the debt problem arose because these regimes and their international counterparts in the private and official lending agencies dismantled the existing mechanism of financial regulation and subsequent to the crisis attempt to introduce regulatory mechanisms which permanently opened the Latin economies to transnational capital. The transformations of the regulation of international finance and of the control over the economic boundaries of Third World states necessarily focuses attention on policy formation

in both state and multilateral institutions. In the next section we examine the development of policies by state and multilateral institutions.

The Regulation of Capital Flows

The breakdown of regulation in the Euromarkets with the collapse of the Bretton Woods system was a formative step in the development of the Latin American debt problem. The breakdown of Bretton Woods opened the space in the international financial system necessary for the creation of new channels for the flow of capital. But the development of these new channels was not simply a result of the destruction of the old regulatory system. The development of new channels of capital flow was reciprocally related to the construction of a new regulatory system. The creation of liberalized exchange regimes in the 1960s under IMF sponsorship was designed to open up national boundaries to capital flows and played a crucial role in the establishment of new channels of capital flow. Later, IMF-coordinated austerity and rescheduling in the 1980s helped reproduce the circuit during the period of crisis. Finally, the policies designed to liberalize national economies in the late 1980s have as their purpose a new model of accumulation which involves a deeper and more extensive role for foreign capital. This last development of the new international regulatory system is the most far-reaching since it goes beyond the regulation of a circuit between state boundaries to the redeployment of capital within state boundaries. The construction of this system is not the unfolding of a master plan but rather the result of opportunities seized by key Western economic decision-makers in response to crises or problems generated by the structure of capital flows and previous regulatory activities.

External financing has passed through three distinctive phases: the first period during the 1950s and 1960s was in large part based on official loans conditioned by compliance with broader economic policies (lowering tariff barriers, removing exchange controls). The second period of external finance began in the early 1970s and continued to the early 1980s. This period was characterized by the predominance of private banking without conditions but with variable market interest rates. The third period began in the midst of the debt crises of the early 1980s and continuing to the present has witnessed the carefully calibrated lowering of private banking exposure and the shift of financing to official lending agencies.

The shifting presence of official and private banking reflects the complementary role which they play and the manner in which official lending functions to create the conditions for private banking entrée.

Official institutions take the initial risks and trigger the growth of externally financed development patterns. After the establishment of new development patterns the official institutions withdraw, relative to private bank lending, but then re-enter to socialize the bad debts that emerge during periods of crisis.

On the Latin American side the regimes shifted from official to private lenders ostensibly to gain greater investment flexibility and to avoid official conditionality. The crucial aspect of this process however was the acceptance and the shaping by the Latin American regimes of development models tied inexorably to externally financed channels. The linking up of strategic domestic economic elites to these circuits of international capital, along with the internationalization of production, led to the growth of the phenomenon which we describe as Latin America's transnational capitalists, and contributed heavily to the insurmountable debt overhang.

In the 1960s and early 1970s multilateral and state-sponsored international aid and loans created the openings for the development of expanded international trade between Latin American and developed Western countries. Initially multilateral and state-sponsored aid and loans contributed the bulk of international financing to Latin American economies.[18] Official aid financed 91.6 per cent of current account deficits in 1970–72, but by 1980 this figure declined to 44.4 per cent.[19] Official aid was conditional aid – it required debtors to follow free market-oriented policies and to open their economies to foreign investment. Once alternative sources of financing became available, Third World debtors jumped at the opportunity to free themselves from conditionality. Large-scale external private financing allowed Third World countries to pursue a vision of development based on state-interventionist industrialization.

International aid and loans served as the carrot to Latin American countries to liberalize their currency exchange. But once Latin American financial markets were opened, private flows of capital quickly surpassed government and multilateral loans as the principal source of external funds. The size of private financing and its non-conditionality were virtually irresistible in the high growth days of the early and mid 1970s. But this new circuit came under severe pressures in the period after 1979. During the debt crisis of 1982 the potential default of Mexico threatened to topple the largest American banks. Acting on their individual interest each bank (particularly the smaller banks, less the case for the largest banks who had more to lose) would attempt to reduce its exposure by reducing new lending or debt rollover.[20] 'Bailing out' would precipitate a default by cutting off the circuit between new and old debt, since new loans paid for old debt. At this time the IMF coordinated the various banks, forming the mechanism by which the interests of capital as a

whole – the reproduction of the financial circuit – could be secured. Left to the private interests of individual banks the chaos inherent in the system could not be resolved. Only an institution outside of the particularistic concerns of individual firms was capable of reproducing the system in the midst of a crisis. The intervention of the IMF changed the rules of the game; the cooperation of actors could be enforced. But the costs of the crisis, through the instrumentality of austerity/rescheduling programs, were placed most heavily on the debtor countries.

Moreover the key factor which the IMF agreements were not able to secure was a large-scale commitment of new funds for development from the large Western banks. At best the banks lent merely enough to turn over the principal on old debt. In fact the net financial flow of capital turned negative throughout the region during the crisis (see Table 2). Precisely when there was greatest 'demand' for financial resources, 'supply' dried up. The IMF adjustment formulas failed to 'reactivate' the Latin American economies. Austerity was draining Latin America of capital both by increasing the incentives for local capitalists to withdraw their capital and by allowing private foreign banks to lower their exposure.

Debt rescheduling reduced interest payments and renewed flows of foreign exchange to ease balance of payments pressures. But the price of rescheduling for the debtor countries was severe deflationary programs intended to lower foreign trade imbalances. In addition, the promise of debt rescheduling inhibited Latin American governments from combining in debtor cartels in order to strengthen their bargaining

Table 2 Changes in Net Capital Inflows and Trade Balance for Capital-Importing Countries in the Western Hemisphere Excluding the USA and Canada (in US$ Billions)

	1978	*1979*	*1980*	*1981*	*1982*	*1983*	*1984*	*1985*
Net External Borrowing	28.0	30.5	43.4	62.2	40.2	19.5	17.4	5.7
Debt-Service Payments	38.2	39.4	33.7	41.2	50.6	41.9	41.1	40.3
Capital Inflow	−9.8	−8.9	9.7	21.0	−10.4	−22.4	−23.7	−34.6
Trade Balance	−4.4	−1.4	−3.1	−4.2	6.3	28.8	37.8	32.8

Source: IMF, *World Economic Outlook, October 1986*, Washington, DC: International Monetary Fund, 1986, Table A36, Table A41, Table A46.

positions. The austerity/rescheduling programs 'isolated the debtors, while facilitating joint action on the part of the creditors'.[21]

Without IMF coordination it was likely that individual banks would act 'in isolation' to protect their exposure and as a result magnify the problem. During the Mexican crisis the IMF imposed conditionality not only on Mexico but also on the banks. Cline writes:

> the IMF acted as a unifying vehicle to internalize for the banks as a whole the external benefits that the rescue package would confer on them. It acted as a highly effective coordinator capable of marshalling joint action that the large banks by themselves would have had much more difficulty in securing.[22]

The program the IMF developed for the Mexican debt and applied elsewhere had five basic components:

1. Adjustment (austerity) in the debtor country organized through an IMF stabilization program;
2. A short moratorium to provide time for negotiations;
3. Interbank credits for trading;
4. Renewed private bank lending and rescheduling coordinated by the IMF;
5. Bridging loans to sustain the debtor country until private and IMF lending was implemented.[23]

The large scale of the debt required a coordination of the banks. But the austerity/rescheduling programs treated the debtors as individual, separate entities, atomizing their response and transferring the greatest burden of the crisis on them.

Although the austerity/rescheduling programs preserved the financial circuit they severely disrupted the accumulation process in many Latin American countries. Since debt must eventually be paid out of new surplus, the austerity programs were doomed to become the precursors of the next crisis. The debt problems of 1986–87 in both Mexico and Brazil were a direct consequence of the austerity programs imposed in 1982–83. Deflationary policies, in addition to the drain on export earnings to service the debt, reduced new investment. New investment necessary to expand and replace industrial capacity essential for international competitiveness was not available. Brazil's substantial growth in 1985–86 did not prove that debt payment and growth were compatible, contrary to the international pundits; rather, it indicated the long-term possibilities of growth despite the debt payments. It was precisely the

imminent threat of a sharp reduction of growth that precipitated Brazil's decision to forestall future debt payments. The ability to fuel capital-intensive growth declined as export earnings were used to pay for debt rather than imports (see Table 2).

The IMF austerity programs not only inhibited present and future growth but resulted in the liquidation of existing assets, damaging not only the extended reproduction of capital but also the simple reproduction of existing capital. The costs of austerity were paid by allowing the industrial infrastructure to deteriorate: 'Latin America's existing transportation and other facilities are falling apart, and new development projects lie unfinished or unbuilt, making prospects for long-term economic recovery look dimmer rather than brighter.'[24] Austerity not only damaged the industrial infrastructure but also polarized the class structure: '. . . what was once the middle class now plunges toward poverty, and what was once the poorer class now lives hand to mouth'.[25] The spectre of malnutrition has risen along with semi-employment and unemployment rates of one-third of the labor force. The reproduction of finance capital was accomplished on the backs of industrial capital and labor in the debtor countries. The growth of a powerful transnational capitalist class firmly embedded in the international financial circuits and with continuing access to local funding creates an obstacle to any sustained investment in national productive growth. Transnational investment behavior and austerity programs have led to a reduction of investment and declining prospects for future investment as risk increases. Indeed, Khan and ul Haque's 'expropriation risk' has a foundation in the policies of the IMF, their banking colleagues, and Latin America's transnational capitalists which increased the immiseration of labor and the erosion of local production.

Conclusion

The internationalization of financial circuits has had a profound impact not only on the Latin American economy – with its reliance on externally financed growth models – but also on its social structure, creating a powerful transnational class of investors. Initially the principal concern of Western economic policymakers was the protection and promotion of these financial circuits. However, as production has been internationalized, and as the financial burdens have eroded production in Latin America, production has been affected in the lending countries. Deflationary solutions to the Latin American debt problem could not be isolated to that region. In an open world economy the effects rippled outward to the USA and Western Europe. US exports to non-OPEC

developing countries fell 46 per cent between 1981 and 1983.[26] The longer a deflationary strategy is sustained the more likely it is to fail. The increasing difficulty of maintaining the financial circuit on the basis of the austerity/rescheduling programs became evident to the Reagan administration by the return of a crisis on a similar scale to 1982 in the summer of 1986. Another 'oil shock', this time a deflationary shock, cut the price of oil by 50 per cent in 1986. This created a new crisis for Mexico, whose debt was now almost at the $100 billion level.[27] The problem for US economic policymakers was how to balance the needs of US industrial exporters and investors with the interests of the private banks. In the first instance this resulted in a shift in policy from a narrow focus on promoting financial capital via the IMF toward more general regulation of US–Latin American economic relations. These proposals, summed up in the Baker Plan, marked a new stage in the attempt to link US investor and financial interests with those of Latin America's transnational capitalists.

The proposals associated with Treasury Secretary Baker were intended to provide greater regulation of the world economy through the restructuring of Latin American economies and the deepening of the role of international financial and trading groups within Latin America. Restructuring the debtor countries involved a trade-off: the Baker Plan offered the debtor countries lower debt payments in exchange for their providing greater foreign access to local assets, markets, financial and service activity. The debt was therefore transformed into a weapon for dismantling the nationally owned and protected productive structure.

Thus 'managed flexibility' provided the external context for globalization of Reaganomics. Baker's proposals for the transformation of debtor economies rested heavily on the Reaganite vision of the conditions for economic growth and efficiency. The restructuring of the debtor economies followed the standard supply-side formula: less government, more privatization, and squeezing of labor. Policy changes were enforced by increasing IMF surveillance ('enhanced surveillance') of debtor countries and greater IMF control over capital flows to debtor countries.[28] IMF conditionality (that is, conditions set on new loans) was shifted from the austerity-oriented performance criteria (for example, money supply growth, government deficits) to privatization and trade liberalization. The IMF's control over capital inflows was expanded from its limited short-term lending facility to IMF-coordinated private lending arrangements and MYRA (medium-term) debt restructurings. The new policy meant that the IMF would play a greater role in the year by year functioning of developing economies by presiding over their restructuring:

> Much of the *recent improvement in current accounts* has come from reductions in imports and private investment; increases in exports and savings need to make a larger contribution. . . . If future growth is to be protected, it is necessary to be concerned about the *form* of external adjustment as well as about its size.[29]

The new role of the IMF will be as an international enforcer of the Reaganite vision of liberalized national economies. Although official credit will not replace private credit the new policy attempts to impose conditionality on private flows. Paradoxically, the goal of internal liberalization is to be achieved by greater state control over international financial flows.

The Latin American responses to the Baker Plan ranged from piecemeal acceptance (Mexico and Chile) to guarded skepticism (Argentina and Venezuela) to outright rejection (Peru and Brazil). It is likely that the more extreme components – the wholesale restructuring of economies and the permanent tutelage of the IMF – will not be implemented. Yet the growth and consolidation of a transnational capitalist class in Latin America has created permanent and powerful spokespersons for liberalizing trading and investment regimes, and for paving the way for a 'Latin American' version of the Baker Plan. The period of austerity severely affected the accumulation process in many Latin American countries but strengthened the relative position of the transnational groups. The crisis is an opportunity for Latin American and foreign-based transnational capitalists to restructure the accumulation process at a lower cost – in purchasing assets, lowering wage payments, taxes, and so on. What is at stake in the ascendancy of Latin America's transnational capitalists is not only the cost of the debt problem but the direction and structure of Latin American economies.

Fundamentally the Latin American debt problem is a consequence of the internationalization of productive and financial circuits in the absence of an effective world-scale regulatory agency. The problem persists because of a convergence of interests between a stratum of Latin American capitalists and the international banks. However, the ability of local productive activities in Latin America to absorb the costs of the debt is not unlimited. While productive activities may be linked globally they are ultimately based locally. The current US administration tacitly recognizes this and sees the current debt problem as an opportunity to reorganize Latin American economic activities. Thus the debt problem is not only a question of distributing costs but also of the long-term restructuring of Latin American economies.

Notes

1. B. Cohen, 'Global Debt: Why is Cooperation So Difficult?', a paper presented at the American Political Science Association Convention, 29 August 1986, reviews these approaches.

2. The classic discussion on the internationalization of the division of labor is found in F. Fröbel et al., 'The Tendency Towards a New International Division of Labor, *Fernand Braudel Center Review*, Vol. 1, No. 1, 1977, pp.73–88. An interesting view which emphasizes the uneven character of this process is presented in H. Marcussen, 'Changes in the International Division of Labour', *Acta Sociologica*, No. 25 (Supplement) 1982, pp. 67–78.

3. E. Larson et al., 'Beyond the Era of Materials', *Scientific American*, Vol. 254, No. 6, 1986, p. 39.

4. R. H. Girling, *Multinational Institutions and the Third World: Management, Debt, and Trade Conflicts in the International Economic Order* (New York: Praeger Publishers), 1985, p. 43.

5. Ibid., p. 43.

6. J. Hakim, 'Latin America's Financial Crisis: Causes and Cures' in E. Duran, ed., *Latin America and World Recession* (Cambridge: Cambridge University Press), 1985, pp. 20–22.

7. W. R. Cline, *International Debt: Systemic Risk and Policy Response* (Washington DC: Institute for International Economics), 1984, pp. xv–xvi.

8. Ibid., p. 17; D. Avramovic, 'External Debt of Developing Countries in Late 1983' in M.S. Wionczek with L. Tomassini, eds, *Politics and Economics of External Debt Crisis: The Latin American Experience* (Boulder, Colorado: Westview Press), 1985, pp.10–11; and A. Fishlow, 'Coping with the Creeping Crisis of Debt' in M.S. Wionczek, ed., *Politics*, 1985, p. 105.

9. Avramovic in *Politics*, p. 13; and IMF, *World Economic Outlook* (Washington DC: International Monetary Fund), 1986, p. 89.

10. IMF, *World Economic Outlook*.

11. J. Gerth, 'Struggling to Clip the Wings of Capital', *New York Times*, 15 June 1986, p. E3; and IMF, *World Economic Outlook*, p. 243.

12. M. Khan and N. ul Haque, 'Foreign Borrowing and Capital Flight: A Formal Analysis', *IMF Staff Papers*, Vol. 32, No. 4, 1985, p. 611.

13. Ibid., p. 610.

14. Ibid., p. 618.

15. Ibid., p. 608, note 2; Khan and ul Haque allow ambiguity in the term 'expropriation risk', so that it can include, 'other factors that would tend to reduce' expected returns on assets.

16. These countries are Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay, and Venezuela. The correlation coefficient was calculated by combining the years from 1977 to 1984, except for Bolivia whose series only went to 1983. This procedure does not control for serial correlation. The data sources are IMF, *Balance of Payments Statistics Yearbook 1985* (Washington D.C.: International Monetary Fund), 1986; IMF, *International Financial Statistics Yearbook 1986* (Washington, DC: International Monetary Fund), 1987; World Bank, *World Debt Tables* (Washington DC: World Bank), 1986.

17. Taking net short-term capital inflows as a per cent of GNP compares capital flows to all factor income accruing to a country. The correlation between this and GDP growth examines the relationship between short-term capital flows and resident production.

18. R. Wood, 'The Aid Regime and International Debt: Crisis and Structural Adjustment', *Development and Change*, No. 16, 1985.

19. Ibid., p. 180.

20. It is this problem that is succinctly described in game-theoretic terms as an n-person Prisoner's Dilemma. If the players minimize their individual losses the solution for the game

as a whole will not be Pareto-optimal. Technically, because the players' choices are not independent in this problem, this game is sometimes called an Assurance Game.

21. M. Guergil, 'The International Financial Crisis: Diagnoses and Prescriptions', *CEPAL Review*, No. 24, 1984, p. 155.

22. W. R. Cline, *International Debt*, p. 75.

23. Ibid., p. 30; and J. Hakim, in *Latin America*, p. 28.

24. S.K. Witcher and M. Walsh, 'Latin Crisis: With Mexico Focusing on Debt Repayments Ports and Roads Suffer', *Wall Street Journal*, 11 June 1986, p. 1.

25. Ibid.

26. D. Avramovic, in *Politics*, p. 19.

27. P. Kilborn, 'Volcker Asks Leniency in Mexico Debt Talks', *New York Times*, 12 June 1986, pp. D1, D7.

28. M. Watson et al., *International Capital Markets Developments and Prospects* (Washington DC: International Monetary Fund), 1986, pp. 53–5.

29. J. De Larosière, 'J. De Larosière Reviews Problems of Indebted Developing Countries', *IMF Survey*, 25 November 1985, p. 356. De Larosière's emphases.

8

Argentina: The Two Faces of the Bourgeoisie*

The Alfonsín government was elected in 1983 with a large electoral majority and a mandate to carry through a series of reforms designed to activate the economy, prosecute human rights violators in the armed forces, improve living standards, reconstruct the national economy and extend political and social rights as a means of consolidating democracy. The regime legalized individual and political rights, supported wage and salary increases and began judicial proceedings against the top generals involved in the mass murders and tortures. In the course of the first year, the regime raised objections to the debt payment process and under Minister of Economy Grinspun attempted to mobilize Latin American governments in favor of a common policy on the debt.

After the initial electoral euphoria, the regime's attempts at reforming the political, economic and social structures of Argentina began to encounter resistance. Subsequently, the Alfonsín regime began to negotiate agreements with the existing economic and military elites, setting the stage for the compromises and reversals which have characterized his policy in the later years of his government. By confining his prosecution to the very top echelons of the military, he allowed middle and upper officialdom to organize and threaten the stability of the regime. After several abortive coups, the Alfonsín regime came to depend on the generals, who extracted a general amnesty for the 1,200 officials accused of gross human rights violations.

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The reactivization economic program was implemented in the context of a largely open speculative economy. The economic incentives did not stimulate investment, but speculation, short-term investments and imports. The debt payments continued, draining the economy of foreign exchange earnings; inflation began to erode wages and salaries. The regime broke with its mildly redistributive and nationalist economic orientation, and instituted a freeze on prices and wages. The Plan Austral briefly gained the regime a new popular mandate through temporary stabilization. The latter, however, served as a benchmark for a sharp reversal in policy. The regime resolved the contradiction between the electoral commitment toward national growth and an externally based economic structure by pursuing policies linked to the overseas banks and investors. Austerity in wages and restriction on credit for production for the local market were accompanied by high interest payments to seduce overseas Argentine flight capital to return. Privatization of public firms and cutbacks in state investments were pursued to satisfy the economic interests of the international banks, the desires of large-scale local capital and the dictates of the IMF. The market controlled by internationally oriented capital defined the boundaries and locus of possible economic policy. Alfonsín's economic policy came into line, adapting to the economic foundations established by the dictatorship. The regime came full circle: incomes plummeted, strikes increased and inflation reached triple digits. Politically, the concern with human rights was denigrated as the regime promoted neo-Darwinian liberal rhetoric in which enterprise efficiency, the pursuit of markets, and the strengthening of state authority replaced concerns for equity and social democracy. Collective action in civil society was increasingly denounced by regime ideologues as threats to the state's bureaucratic authority. The regime increasingly depended on state power as its principle support, while spokespersons engaged in political blackmail, raising the specter of a military coup in the face of civic action.

In this context of radical political and economic reversal, of the regime's shifting political and social bases of support, this study attempts to outline the economic and political orientation of small and medium-size business people. Historically and contemporaneously, they have been important bases of support for the Radical Party. This research is guided by the assumption that the consolidation of a liberal democratic regime depends upon a solid social basis in the core sectors of local small and medium-size business. Conversely, a liberal democratic regime which lacks a solid social basis of support among these classes is likely to decay, lose its capacity to exercise hegemony over the broader sectors of the populace, increase its dependence on the coercive apparatus and eventually be displaced from office.

Development from Above and the Small and Medium Business Person

In discussing the Alfonsín regime's policy toward industrial development, small businessmen tended to describe it as alien to their interest and favoring big business. One nationalist businessperson described its policy as 'the transnationalization of the economy, favoring the concentration of capital in dominant groups and oriented toward external markets; the internal market is subordinated [to it]'.[1] Accordingly, different 'markets' denote the division between small and medium business producing for the local market and large capitalists, capable of producing for the external market. In comparing the Alfonsín government to the previous military regime's economic policy, this businessman emphasized 'greater continuity than difference; its electoral campaign was populist in style but it had no reserves to realize its goals and presented the export strategy as the only realistic "alternative" '.[2]

From a liberal perspective, a different line of criticism was directed at the Alfonsín regime: its inconsistency and lack of follow-up in pursuing its industrial policies. As one plastics manufacturer put it:

> We don't know the rules of the game. The large firms – international and national – who have an identity of interests determine policy. Each industry has to defend itself. We have to subordinate ourselves to the rules of the game fixed by big firms. We are not completely subordinate. We accept and improve the rules – in the context of development. They haven't done anything to promote the export-oriented strategy. They have favored only big firms. In my sector, plastics, the petrochemical firms export all of the inputs for plastic and we have to import them, but we have no lines of credit to import. 'Modernization' is not concrete, it is not a representative term. It could mean cooperation to bring together industrialists to export. I don't trust the regime's political discourse. It is like the big ads for come-ons. The rest are all the same. The regime is totally bankrupt. It should resign. Radicalism is wasted.[3]

Regarding the previous military regime, the plastics manufacturer is equally critical: 'José Martínez de Hoz destroyed industry. The growth of industry is in the past. We are overwhelmed by technological change. Now we are losing.'[4]

A leading advisor for the Argentine Industrialists Union (UIA), the association grouping large firms, criticized the

> Alfonsín regime's lack of a coherent model of accumulation. Inside the regime there is chaos. They are not coherent even on their own terms. Big enterprises are supposed to link with international capitalists, yet the regime short-circuits

> the UIA and acts with a few large firms. Small and medium sized firms are disoriented without a key idea to coalesce around. Big business is not opposed to the regime, but they are not working in consensus. There is a tendency to shift toward export activity, but the problem is implementation. The government is divided over providing incentives [tax exemptions] to promote industrial exports.[5]

A well-known economic historian and advisor to industrial enterprises described the regime as having 'no development policy. They talk in budget terms, not of industrial policy. They emphasize exports without taking time to develop the capacity [to export] and without maintaining and expanding the internal market to absorb labor.'[6]

A key economic advisor to the Argentine Industrial Council (CAI) also had a critical attitude toward the regime:

> This is a time of profound transformations, yet the regime has erratic policies – no integral program. The same powers dominate the country. The financial class dominates, linked to large firms, multinational corporations. Economic policy has adapted to these powers.[7]

In contrast, an economic advisor to the Alfonsín government concerned with economic integration directed pointed criticisms at the business community's response to the regime's export integration, as well as criticizing the regime itself:

> Argentine business's will to integrate is very reduced. It has commercial interests only. It is interested in investment – it is fearful of competition. It doesn't have a vocation to go into the international market. In comparison with the Brazilians, the Argentine businessmen are not risk-oriented. They prefer internal markets. Small businessmen are not in condition to compete. The Brazil-Argentine integration agreement led to a two hundred-million dollar deficit for Argentina, with Argentina exporting raw materials and Brazil finished goods. The Brazilian state is more aggressive in promoting exports than Argentina. The [international] financial circuits are weakening the integration process; there is no capacity to finance production and commerce. Inter-regional trade declines as international financial circuits grow.[8]

Similar lines of criticism toward the Alfonsín economic strategy are found among leaders of cooperative banks and small and medium size firms. The director of a co-op bank presented a very pessimistic scenario under the Alfonsín regime:

> Co-op banks are not fulfilling their function. They are supposed to facilitate

> loans to small business. But to the degree that the Central Bank subordinated the co-ops, it turned the co-op banks into intermediaries with similar costs as large banks and with one-third the portfolio. With 17 per cent to 19 per cent interest rates per month we are losing customers. The majority of the banks are in crisis. The co-op banks reflect the crisis of small business.[9]

The shrinking of the internal market and the decline of small business producing for that market has led to co-op banks holding many debts that are not payable – '23 per cent of debts are not payable'.[10]

A leader of a national farmers' federation cited the Alfonsín regime's overall policy shift of support from small and medium farmers to large-scale exporters as a cause for the decline in production and disenchantment among his supporters.

> Alfonsín was elected with the support of the Federation. In April 1984 we pledged to collaborate with the regime and we produced a record forty-four million tons of grain. As the regime shifted its allegiance and policies toward the SNA [The National Agrarian Society, the large landowners' association], production dropped to thirty-eight million tons in 1985–86 and thirty-two million tons in 1986–87. Prices were low, taxes and interests were high. Alfonsín has no economic program or plan.[11]

Even among rather successful and dynamic medium size industrialists, criticism abounds concerning the rather mechanical and unimaginative manner in which the new liberal economic policy is being applied. As one industrialist noted:

> The last coup [1976] attempted to incorporate Argentina to the world economy. Martínez de Hoz [the former Economics Minister] left the country in a mess: they sold nothing, developed no capital market, the strategy failed. For the new economic team, led by Sourrouille [Minister of Economy], reality is unchanging. They accept the conditions of the past, as the basis for integration of Argentina into the world market. Compared to other Latin American countries, we have dependency without growth. The strategy of this regime is similar to the past military regime. Behind this strategy are the same powerful economic groups: export-import companies, financial groups, speculators, foreign banks. The Economic Minister facing this situation adapts rather than changes. Growth depends on breaking with this limited group. The regime is deeply influenced by the 'captains of industry' in petrol, paper, banking and agriculture.[12]

Most of the owners of small and medium size businesses viewed the Alfonsín regime's model as one whose principal agency of accumulation

was located 'above and outside', namely local, large-scale capital (the 'captains of industry'), the multinationals and the financial sector. They did not have a sense that they were an integral part of the development process. On the contrary, they felt distinctly discriminated against – excluded. Most felt that the model was geared toward production for the external market, ignoring their concerns with the internal market or, at best, failing to provide the incentives and basis to prepare them for entrance into these new overseas markets. The current economic policy of the electoral civilian government was perceived and experienced as an extension of policies and economic alliances which were initiated under the military regime. Some business people noted a rather sharp break with the historic patterns of national market development. The regime's policies and model of externally oriented growth were generally perceived to have had a negative impact, though in many cases it was the manner of implementation (inadequate preparation, lack of clear guidelines, coherent and consistent policies, and so on), as much as the substantive policies that seemed to disturb the small and medium size business people.

In the course of the interviews, three types of criticism emerged regarding the regime's externally oriented and elite based accumulation model. There were those who rejected it *in toto* in favor of a strategy oriented toward small business and the internal market; those who rejected it *in part* because it favored big business but who at least verbally expressed a willingness to adjust to the new orientation if proper incentives were forthcoming; and finally, those who were critical of the lack of clarity and consistency of purpose, but who seemed to be willing to play the game if they were included in the process of policy formulation. The overall negative view of the small business persons thus subsumes a set of contradictory and divergent responses which the government has not been able to effectively exploit.

The Economic Response of Small and Medium Size Business to State Policy

Widespread discontent with the general accumulation model or its implementation is almost always linked to specific areas of criticism of particular economic policies. This is very much the case with the Argentine small and medium size businessmen. Four policy areas were explored: credit, public spending, labor and foreign debt. All business people focused their most vehement opposition to the regime's credit policy, characterizing it as the major obstacle to investment and growth and a major factor shaping their economic behavior. For many, the

unavailability of state credit and/or the exorbitant interest rates (20 per cent to 30 per cent *per month*) were major causes of enterprise bankruptcy, and the shift from productive to speculative and financial investments.

In response to the question of what was their major criticism of economic policy, one businessman summed up his response: 'Easier credit – the rate of interest is above the rate of return for small firms – is our major demand.'[13] In response to the government's high interest rate policy, he said

> Small business has declined or become very selective. Few small and medium size firms have adjusted to the export market. The agreement with Brazil has no positive results for us. There are few beneficiaries among us from the export strategy. We have cut back operations. The mentality among small business people is to limit operations. Some tried to shift to import-export activities, but they found it difficult to compete. We are for upgrading technology and modernization, but there is no knowledge about how to become incorporated. The Italian model of small and medium size export industries is viewed positively. But to promote the Italian model we need a process of preparation based on the internal market and credit to build up capacity and state support to identify markets.[14]

The theme of an adverse credit policy and its negative effects on industry was repeated by the manufacturers of plastic products: 'There is no policy. No credit. If you receive any loans, the interest payments are too high in relation with profit. It is better to deposit earnings; you gain more from interest than investing in industry.'[15]

The theme of small and medium size business people shifting their investments from productive to speculative and financial activity was repeated by almost all respondents. The linkage of small business people to the financial circuit has serious implications not only for the economy but for their political and social orientation. The negative consequences of this shift for the national economy were spelled out by the same manufacturer:

> The response of the manufacturers depends on their situation. Many become intermediaries. There is no longer an industrial vocation – if it can be abandoned. Some diminish production to maintain a profit. What is gained is invested in speculation and overseas accounts. There is a tendency for their children to study abroad and remain there.[16]

The speculative climate cultivated by the Alfonsín regime's conformity with IMF-promoted interest rates led directly to the widespread growth of illegal transactions, the decline of civic consciousness and a world in which the 'underground economy' became more important than

the 'overground economy'. In blunt and realistic terms, one manufacturer spelled out the terms for success:

> My firm is doing very well. I am operating under the same rules as the monopolies – the rules of buying and selling. I follow the precepts of José Ingeneros [*La Simulación en la lucha por la vida*]: 'whoever does not adapt dies'. I learned from Argentine experience. I have adjusted. To operate don't follow the laws – learn subterfuge to operate. Tax evasion. Speculate. Don't invest in industry unless you can recover your initial investment in one or two years. For example, last month, anticipating a price increase, I bought petroleum and gained a substantial profit the next month. How else would I pay for a month's vacation for my family in California – by employing fifty or twenty workers? Why are we suffering this unfortunate situation?[17]

The Balzacian realism, the contrast between the Darwinian ethos practiced and the lingering note of wrongdoing, the residual sense of a declining industrial vocation amidst the speculative profiteering enter into the reflections of some of the more thoughtful small business people.

In the sphere of the larger industrial enterprises, one top economic advisor noted that at least four issues blocked a consensus with the Alfonsín regime: high interest and tax rates, poor implementation of policy, and the discretionary power of the regime to reverse or alter policies.

> Ten per cent *real* interest rates *per month* and high taxes on those who pay are the most immediate and basic problems. The long term problem is the incapacity to solve structural problems to solve the public deficit, to solve the external constraints on growth. The result is that industrial investment has declined. A certain reactivization took place based on unused capacity; it was not due to new investment. Speculative activity is more profitable than productive. The entrepreneurial vocation is declining. It is difficult to find entrepreneurs. Some sectors, pockets or subsectors are growing. The situation will become aggravated. The capacity to meet the foreign debt is declining, while the debt grows.[18]

Another advisor from the General Economic Confederation (CGE), the association of small and medium size firms, confirmed the pattern identified by his counterpart in the UIA: 'There has been a shift from productive to speculative activity, some have invested abroad. Illegality is the norm: "Don't pay social security or taxes to survive".'[19]

For some Argentines involved with the small and medium business sector, the problems go beyond the issue of the regime's credit and interest policy and include the whole structure of the economy. An advisor to the Argentine Industrial Council (CAI) stated:

> Small and medium businesses have experienced a decline in the value of their capital stock; their technology is obsolete. Interest rates are excessive by any standard. There is no capital market, no chance at credit. They must self-finance. Self-financing is a national sport. Two-thirds of the economy moves in the 'black economy': double book-keeping, tax avoidance – it's the only way to avoid bankruptcy. Small and medium size firms have no alternative to complying with the laws; they could not survive. Argentina has an internal market divorced from the international market: it's protected. The state can no longer support protection. There needs to be a gradual removal of tariffs and protection. Telephones, airplanes, ports are being privatized – opposed by the corporate interests of the trade unions. Small and medium business people are opposed to public spending; they cannot compete for state contracts. This government has to support fifty years of mismanagement by the state. Public spending is a drug that solves immediate problems but avoids larger problems. The Argentines are guilty regarding the foreign debt. The debt is Argentine, but it doesn't have the means to pay it. All the surplus is absorbed. Thus Argentina has no future. A moratorium is not a solution. Capitalization of the debt [debt-equity swap] is very good, but it should be handled with caution. Politically, no country can accept that all of its major enterprises will be foreign owned. There needs to be some balance. Economically, the increase in monetary flow can stimulate inflation. The small and medium size businessman feels abandoned because of the indefinition of state policy. If you enter into the model there is a chance, if not you are finished.[20]

What is striking about the attitudes of many small business people is their critique of 'statism' and 'public spending' and their embrace of liberal market economies, even as it undermines their economic position and opens them to competitive forces with which they are unable to cope.

This was strikingly brought forth by an unforeseen incident that occurred at the time of the interview with the economic advisor to CAI. The original interview with the vice-president of the CAI was cancelled because he had committed suicide the night before. Following the interview with the economic advisor, we questioned him about possible reasons for the suicide. He said that the vice-president's firm had come upon hard times, local demand had declined, he lacked overseas connections to finance exports and renovation, and bills were piling up. Caught between an 'open market economy' which was driving his business bankrupt and a defense of liberal economic principles, he committed suicide. Perfectly logical, personally tragic.

Beyond the personal dimensions of this particular case is the larger issue of the conversion of a substantial sector of small and medium size businesses to the ideology and politics of the liberal marketplace

and personalities, despite its overt and continuing adverse effects on productive activity.

The answer to this paradox is found, however, in the *substantial shift among business people away from productive and legal economic activity toward speculative and non-legal activity as the principle source of income.* In the latter framework an 'open economy' enables funds to flow abroad, illegal hard currency dealings become a constant source of income and a weak state is a positive factor in evading legal socioeconomic obligations. Economic liberals promise to legalize the all-pervasive 'underground social-economic activities' that function as the principal source of profiteering for small and medium capitalists.

The conversion of small and medium size industrialists to liberal political economy is also ascribed by one business advisor to the ideological hegemony of the financial groups:

> The open economy is linked to financial sectors. Ideology is independent of economic interests. We can speak of the ideological subjection of the industrial bourgeoisie. Their economic interests don't find expression in an ideology of industrial policy. They don't act in terms of interests, but perception of interests. When reality is complex, perception fails to connect ideology to interests. The industrialists are more concerned with immediate costs than markets for realizing profits. Not all entrepreneurs are tied to the financial circuits, but they are under the hegemony of capitalists who have interests abroad.[21]

It appears that the ideology of economic liberalism has become the opium of the national bourgeoisie, gaining allegiances among substantial sectors of the small and medium size business people, even as its policies apparently undermine their formal position in the productive system.

In order to understand the dynamics of the apparently contradictory behavior of the small and medium business people, it is important to reconceptualize the nature of the analytical categories. The Argentine economist, Alberto Sanchez, drawing on his study of the structure of Argentine economy, concluded that, 'Sectoral analysis is inadequate. We need to look at horizontal changes. When national space for accumulation is exhausted because technology is backward, industrialists invest in other sectors or speculation.'[22]

Among small and medium size farmers, the problems of prices, credits, investment and speculation also predominate. According to a leader of the small and medium farmers' association, the Alfonsín regime

> has been subsidizing large scale producers with higher prices per unit, while reducing the capacity for small farmers to negotiate adequate prices. The policies begun by the military regime's Economy Minister Martínez de Hoz

continue under the present regime. Credit policy continues to discriminate against small producers. Only 20 per cent of the agricultural producers have regular and steady access to banks. Since 1976, the progressive tax was replaced by a regressive flat tax. With high interest rates, no farmers want to invest in production. They deposit income in the financial sector. To illustrate the disinvestment in agriculture: 16,000 tractors should have been purchased in 1987 to replace and maintain production. In fact 3,800 were bought. Farmers are over-burdened with debt. The Alfonsín regime has continued the policy of the past. It has been taken over by exporters, and the multinational corporations under the right wing. If the regime continues [these policies] it may not finish its term. If it does finish, it will leave the country in poverty.[23]

Even the more resourceful, successful entrepreneurs are not overly sanguine about the Argentine economy. One industrialist said:

There is a good market [for my mining products]. The problem is prices and interest rates. High interest rates and a price squeeze – the prices of my goods are frozen, but the prices of my inputs are not. This has resulted in losses last year and in the current year [January-April 1988]. But I am expecting prices will increase and productivity is improving. My firm is exceptional. I have modernized it by investing my profits and labor costs are low. My firm is in a backward region. The Argentine economy is perverse: the state intervened without promoting growth; concentration did not facilitate growth; protection did not promote growth. Entrepreneurs invest little, spend on consumption and invest abroad. We have experienced premature 'maturity' in consumption, premature speculation, speculation before growth. The future of the Argentine economy is conditioned by an inefficient financial system, a foreign trade system managed by and for an exclusive elite, a public sector which is bureaucratic and ineffective, an unpayable foreign debt, a non-existent tax policy to promote private development, generalized corruption between entrepreneurs and the state and an exchange policy which has produced a dollarized economy. The plight of Argentine capital began in the 1950s, thus retarding the development of capital and weakening the productive structure. This was greatly accentuated with the policies of the military and later by the economic crisis creating a mentality of flight.[24]

This investment-oriented entrepreneur questioned the viability of the Alfonsín regime's policy of 'opening to foreign capital':

They are trying the same restructuring and privatization strategy under the democratic regime that was tried under the military. What makes them think the foreign capital that enters will modernize instead of acting as it has in the past – remitting profits?[25]

We have then two sets of critics among small and medium size

businesses of the Alfonsín economic policy. One set is not investing in production, supports liberalization, but objects to its consequences, particularly as it affects credit policy and implementation. The other position is investing, objects to liberalization and yet seemingly is capable of securing market shares, even as it foresees dismal macroeconomic prospects.

Small and medium size businesses were clearly dissatisfied with the economic policies of the Alfonsín regime. The focus of opposition is on credit policy, state expenditures and tax policy, with few overt criticisms of wage, salary and labor policy. While many express concern with the foreign debt payments and have linked it with the internal problems, most have not made that issue the centerpiece of their politics. On the contrary, it seems that they support the view that internal adjustments need to be made to accommodate the debt, while hoping for concessions from the banks. Faced with declining markets and increasing costs, the small and medium manufacturers in effect responded with an investment strike, despite some marginal exceptions. The responses varied from attempts to shift away from production to commercial activity, and speculation to transferring funds abroad or investing in activities with quick, high profit-margins. The initial positive image of the regime has been dissipated. In place of an innovative regime, its economic policy was increasingly viewed as a continuation of the previous military regime. The position of the regime – lodged between a deteriorating public sector and a privatizing liberal rhetoric – deepened the right-wing drift of the bulk of the small and medium size business people. The small and medium business people are moving further toward the right, and a more 'consistently' liberal position, even as they complain bitterly of the inefficient state services, product of decreasing public investments.

The Politics of Small and Medium Business in a Time of Crisis

Given the widespread criticism of Alfonsín's economic policy, the interviews sought to determine their political consequences. Did the business people continue to support the regime despite economic differences or did the economic criticism have a spillover effect on the regime, as well? Most of the interviews revealed a serious erosion of political support, with displacement toward the right, in the direction of the Democratic Center Union (UCD of Alsogaray), while a smaller minority considered the possibility of supporting the Peronists, particularly the Renovator faction led by Cafiero, with its post-populist politics. Even among those who continued to support the Radical government, their position was more one of desperation, more because

of the unattractiveness of the alternatives than for any positive feeling toward the regime. While there was widespread opposition to the Alfonsín regime, there are few opponents to the democratic electoral process, though there are scattered indications that continued economic deterioration and rising popular struggles could send the businessmen 'knocking on the doors of the military'. While it is clear that the small and medium business people have several political options to choose from, and that none of the major contenders for political office offers any serious challenges to the rights of property or even proposals to alter the existing distribution of income, there is a pervasive sense of malaise. Business people do not see any of the political leaders as formulating a coherent and consistent strategy which would include the small and medium business people.

In the elections immediately after the demise of the military regime, the initial choice of the overwhelming majority of small and medium size business people was the liberal-democratic Radical Party. 'Liberalism' was viewed through the prism of the historic position of small and medium business economic interests. This included policies promoting a *selective* opening to the market, a reactivization policy based on increasing and easing the flow of credit, expanded local demand through increased state spending and investment. The Peronist national-populist alternative was rejected as being too closely associated with state regulation, an unruly labor movement and trade union power.

Over time, small and medium businessmen developed a more critical view of the Radical Party based on its credit, fiscal and regulatory measures: higher taxes, inefficient public services and increasing foreign competition led to a significant shift toward the ultra-liberal politics of the Alsogaray Right, not toward the protectionist Peronist Center. Squeezed by liberal state policies in two directions – shrinking local markets and declining access to financial resources – the small and medium size business people shifted from productive activity to other economic pursuits to compensate for the perceived disadvantages in 'normal activity'. This was accompanied by a shift in political allegiances from the center to the right, in part looking to lower costs, increase credits and have a freer hand in the 'market'.

The ascendancy of the Renovator faction in Peronism, which spelled a declining role for the trade unions and populist economic measures, while favoring technocratic developmentalism, was cautiously supported by a smaller proportion of small and medium size business people. The dilution of nationalism and the downgrading of labor ties were essential elements in the Renovator Peronist project. The Renovators presented themselves as better able to manage the state's role as the mediator between the interests of the small and medium bourgeoisie (protection

and promotion of national markets) and the interests of the new bourgeoisie – product of the last decade – with established links to external financial, technological and market actors. The recent conversion of the Renovator Peronists to supply side economics, (including incentives to overseas investors, export promotion and constraints on labor demands), however, was viewed positively by the business people. At the same time, there was considerable skepticism as to the Renovators' capacity to implement this program. Behind the modernizing Peronist elite was a very well organized labor movement, which has emerged from the period of state terror with a strong capacity for making economic demands and increasingly imbued with democratic values. Most small and medium size business people who mentioned sympathy for the new Peronist approach expressed strong reservations about its capacity to control and subordinate the labor movement to this new development perspective.

The shift to right-wing liberalism came from two directions. In the first instance, many business people who supported the military dictatorship and benefited and built up their power base on the 'free market', in the immediate aftermath of the retreat of the military, sought the protective umbrella of the Radical Party of Alfonsín. In doing so, they retained their positions and secured from the Alfonsín regime a protective shield from close scrutiny, particularly of ill-gotten gains. With the deterioration of the Alfonsín regime, and having secured the legitimation of the free market and military (through the amnesty), the liberal bourgeoisie traversed to a more congenial habitat on the right. They were followed by a robust contingent of small and medium size business people who have converted from industrial to speculative activity.

In place of polarization within the bourgeoisie there was a gradual displacement to the right, carrying with it Renovator Peronists, increasing the strength of the conservative wing of the Radical Party, as well as increasing the voting strength of the right-wing UCD. The Alfonsín Radicals initially tried to hold the middle ground, oscillating between attempts to stimulate the internal market while attempting to induce Argentine capitalists with large overseas holdings to repatriate their capital. In the end, the Radicals threw in their lot with the externally oriented 'free market' accumulation model based on austerity and privatization. While privatization accelerated (airlines, telephones, petroleum, and so on) and salaries and wages plunged, the uncontrolled financial markets and debt payments played havoc with the economy – triple digit inflation and general uncertainty plagued the productive sector.

Unlike the 1970s, when a strong labor-populist, even revolutionary,

option was present, what is striking in the 1980s politico-ideological discussions of business people, and in Argentina in general, is the common terrain of capitalist politics and its ideological expression, the democratic-modernization discourse. Almost all political debate now moves from the right (Alsogaray) to the center-right Radicals (Alfonsín/Angeloz) to the center (Renovator Peronists). All share a vision of an open, export oriented economy linked to technocratic capitalist agencies of growth. There is no alternative socialist-populist pole that might attract small business, even if it were so disposed. Within this political-ideological framework the widespread, and in some cases deeply felt, grievances and discontent of the small and medium sized business people can only drift toward the right or stay within the general boundaries of current political options.

The rightward drift, the low salience of politics and the general alienation from the political class was expressed by one industrialist who states:

> I am not committed to any Party. Politics absorbs time – some have the vocation. We work in industry, but there is a definite connection. I am not getting involved in day-to-day politics, but I will influence and be active in relation to issues that affect my interests. I am in favor of the UCD, liberalism, where the state is not involved. Free access, supply and demand. I am opposed to monopolies. The UCD proposes policies favorable to me, but I think that when they get to power they will continue to favor monopolies. Peronism doesn't have any ideas. In the past, its slogans were *alpargatas* [cheaply made shoes], yes, books no. It is modifying its external image, but once they get to power they will begin to reveal their outlook. Peronism is no solution. Radicalism is wasted. The Alfonsín regime is totally bankrupt. The UCD is an alternative, but a very limited one. The civilians are back knocking on the doors of the military. For some small, medium and large entrepreneurs, the Armed Forces are seen as an option, given the limits of the alternatives.[26]

Even industrialists sympathetic to nationalist politics recognized the rising tide of right-wing liberalism:

> Almost all business people are opposed to the Alfonsín regime's policies. Only a few specific sectors who benefit from the privatization favor it. Both the Right and the Peronists are gaining. Less than half of the business people who voted for Alfonsín are likely to do so again. The shift to the Right among business is due to the ideological attraction, the shift toward speculative activity and due to the perspective that the liquidation of the state's role will engender opportunities, investment and confidence. Peronism is gaining support as it tries to shift its base toward the middle class and the growing service sector. It is projecting an image of moderation. Even though Cafiero [the leader of the Justice Party] is a powerful entrepreneur, many capitalists still perceive and

> are fearful of the working class and the unions behind him. The crescendo of business opposition to the current political economy is displacing to the Right and resisting changes toward social equity.[27]

There was a general consensus among critics and supporters of the regime that right-wing economic liberalism 'has won the ideological battle'. One senior economic advisor to the Argentine Industrial Association, favorable to the Renovator Peronists, nevertheless notes that

> there is a general rejection of Peronism among industrialists, especially in the city of Buenos Aires. Despite everything, many will stay with the Radicals who are turning to the Right. Angeloz, the Governor of Cordoba, is their next Presidential candidate. The pro-Alsogaray sector of the industrialists are not aware of his anti-industrial outlook. Cafiero [the Renovator Peronist candidate for President] borrows some left rhetoric – it is pure rhetoric. His developmental rhetoric eases the opposition of the industrialists. There are varying opinions among the industrialists regarding Cafiero: for some he is a lesser evil; to others the specter of the [populist] past lingers on. Cafiero lacks an economic model and there are many subdivisions among his supporters. The Renovators are the most attractive of the Peronists for the bourgeoisie. It is doubtful if the Peronist leaders can completely control their social base, but it appears they are better able than before. The trade unions are strong in strike action, but politically they are much weaker because of the economic recession, the restructuring of industry and current leaders are pliable. If Cafiero can project an economic model that creates confidence, he can secure a social contract. I have no illusion about 100 per cent enforcement in implementation.[28]

The problem for the Peronists, however, is the 'ideological hegemony' that liberalism has over the industrialists which this industrial advisor ascribes to the 'ideological subjection of the industrial bourgeoisie . . . who don't act in terms of their interests'. 'Neo-liberalism,' he concludes, 'is the opium of the national bourgeoisie.'[29]

An advisor to the small and medium size industrialists' association, the General Economic Confederation (CGE), draws a distinction between the leaders of the association who retained ties with the government and the discontent of the membership:

> Criticism comes from all branches of the CGE, but the leadership is not very critical of the regime. They accept the 'possibilist theory' that you gain more with the government than against. The political influence of the Radical leadership operates in the CGE. There is a lack of leadership and representativity in the CGE. In the recent past, our members voted by inertia, by party identity or out of fear of disrupting democracy. Now some who voted for Alfonsín are shifting toward the UCD, favoring cutbacks in

public spending and lower taxes. Cafiero has changed the image of Peronism in the province of Buenos Aires [where he was elected Governor], but many industrialists fear that because of the trade unions he will face pressure that will go beyond his program.[30]

The militantly anti-Peronist, pro-liberal ideological position among small and medium size business people is best captured by a senior advisor to the Argentine Industrial Council:

The Center-Right is dominant. The Left is not a factor. There has been a gradual shift to liberalism. The Cafiero vote is not a Peronist vote. It is a way of punishing the Radicals. The options are so terrible. The Radicals and Alsogaray are the major recipients of support from small and medium entrepreneurs. They reject Peronism which they identify with a socializing and statifying image. The future of the middle class is liberal. They will adjust to and insert themselves in the new model as in Chile. Alsogaray is an important point of reference. A military coup – it is not an easy question. It is always possible, a long term possibility. A rational equilibrium of three powers [Renovating Peronists, Radicals and UCD] will avoid a coup. Populist Peronists like Menem against the Right could provoke a coup. The industrialists will accommodate with whatever regime. They are survivors, not democrats. They will not resist a coup. You cannot understand Argentina through 'data'. There are 'militant' general strikes but they are mere rituals for negotiations between elites. There is a 9 per cent increase in electricity, but that doesn't show up in industrial growth. The 'black economy' is doing well. Today solidarity is very much weakened. Individualism and self-promotion are strongest.[31]

For other economic spokespersons of small and medium size producers, the political direction of their supporters is more uncertain. A leader of small and medium size farmers noted,

The Left has an out-of-date program. It changes very slowly and ferment is growing. There is discontent among farmers, but it is not clear where it is heading. The large landowners voted for Alfonsín. Now they returned to their natural place with Alsogaray. The middle and small farmers benefited from Peron in 1945–55, but the second term, 1973–75 was bad. Peronist support of low farm prices was not popular. Peronism is favored, but with doubts in 1984–86. Moreover, in 1987–88 better prices, elimination of state regulations and better exchange rates produced a favorable conjuncture for agriculture.[32]

Widespread discontent with economic policy and low levels of political activity, rejection of politicians and support for the electoral system, incapacity to sell on the foreign market, a shrinking local market

and increasing support for economic liberalism which promises to exacerbate both conditions characterize the small business outlook. The political-economic contradictions and uncertainties which characterize the small and medium business people reflects their dual position in the economy and their lack of organic ties to any political formation. Economically, they are linked to *production* and *speculation*, the *legal* and *underground* economy. They complain and attack the credit constraints and competitive limitations of economic liberalism as producers, while supporting the promises of deregulation as speculators and 'underground' entrepreneurs. The complex multiple roles which engage entrepreneurs are a result of the decomposition of the national economy during the military regime which continued under Alfonsín. The dollarization of the economy, the opening of the economy toward foreign capital, the massive indebtedness, the declining share of domestic incomes which accrues to wage and salaried workers, have led to the decline in production for the national market. The survival strategy of the small and medium business class involves efforts to diversify activities and to increase their 'underground' transactions. The long term political and economic consequences are still unfolding. In the short run, the paradoxical outcome has been a form of adaptation to the liberal model which was responsible for the initial dislocation and the continuing disruption.

Conclusion

On the surface, it appears that the small and medium size enterprises are in the midst of a deep crisis. High interest rates, declining markets, an indifferent regime and increasing competition from abroad erode profits and promote bankruptcy. And it is true that manufacturing bankruptcies and loss of property in rural areas seem to be increasing. On the other hand, it is also true that a substantial proportion of small and medium size enterprises have adapted to the new conditions and seem to be prospering. The difference between survival and prosperity seems to revolve around the capacity of businessmen *to insert themselves in the financial-speculative currents,* not through technical innovation and the creative search for new markets. There are, of course, a small number of the latter, but they represent a marginal group. The ingredients for success today in Argentina are largely found in massive growth of 'unregulated' economic activity – the illegal arrangements in which tax evasion, double book-keeping, non-payment of overtime, employer health, social security and family allowance contributions have become the norm. Criminal neglect of a half-century of social

legislation has become the rule celebrated as the success of the 'informal economy' among liberal policymakers and social scientists. The growth of unregulated capitalism – the underground economy – is so pervasive (an advisor for the Argentine Industrial Council estimates that over two-thirds of industrialists are directly or indirectly involved) that its norms and rules form the basis for the social and political orientation of the bulk of the small and medium businessmen. The growing political support for right-wing economic liberalism among the previously (supposedly) protectionist, nationalist small and medium producers is explained by the benefits that have accrued from their experience with unregulated 'underground' capitalism. Liberalism promises to legalize and promote in the future what is illegal and profitable today. Right-wing liberalism is the offspring of the speculative underground economy.

For those sectors of the center-left who have traditionally appealed to the protectionist-nationalist interests of the small and medium size entrepreneurs, it is a losing battle. They have nothing comparable to offer to match the underground liberal agenda of tax evasion, non-enforcement of overtime pay, over and under invoicing, nonpayment of social security, and so on. The appeals of liberalism with its emphasis on reducing state regulation, taxes and allowing the 'market' to flourish are understood by the small and medium size business people as code words legitimating the current basis of profitable activity: illegal gains in productive activity and opportunities to invest in the speculative arena. Perhaps a major financial crash could lead to a re-orientation, but even that would not affect all those with dollar deposits abroad.

What we are suggesting as an explanation for the behavior of Argentine business is that there are essentially *two circuits* in the Argentine economy. One circuit is linked to local and international financial activity that derives its gains precisely through the austerity program that increases interest payments, depresses local wage levels and restricts state regulation. This circuit includes a substantial sector of small and medium business people who have been able to insert themselves into the financial and speculative networks at the lower level. The extension of the financial circuit to include the small and medium size firms and even a limited number of affluent professionals has created a mass base for right-wing liberalism, up to and perhaps beyond 20 per cent of the electorate. The second circuit includes all wage and salaried classes which are tied to industrial production and public services – roughly 80 per cent of the population – who are adversely affected by the austerity programs, the economic opening to the outside, by speculation and inflation, by the drastic cutbacks in public spending and by the deterioration of public services. This circuit is indeed in deep crisis as production stagnates, investment and incomes plummet. It is these sectors that have been

involved in repeated general strikes to stem the economic slide in living conditions.

For the upper fifth tied to the financial and international circuits, there is no 'crisis': their incomes increase, their children in local or overseas private schools are not affected by the strikes by public school teachers on salaries of $100 a month. They have private transport and are not affected by decaying railroads, bus and taxi strikes. They fill the restaurants night and day, punctually attend the theater when they absent themselves from their private weekend *quinta*. They frequently take shopping holidays to New York, Miami, London or Rome.

For the other four-fifths, dependent on wages and salaries, survival means two or three jobs, fifty- and sixty-hour work weeks, delays in pay, and salaries in depreciated currency. For them and their families, it is a constant race to keep up with prices that always exceed wage increases. And there are strikes and protests to prevent the slide into the abyss of indecent poverty.

The most striking aspect of Argentina today is the deterioration of life among the salaried professionals: the teachers, medical workers, public employees. It is, of course, part of a general deterioration of public services; health facilities without adequate medical supplies, declining educational standards in public schools, overcrowded universities in which senior professors spend half their salaries on transport to the university. Private wealth and prosperity of the financial 'informal' circuit is the basis for the deterioration and decline of the public, productive circuit. What is crisis for many is opportunity for some. The deepening cleavage between the two circuits is found in the increasing support for liberalism among the affluent middle class and the growing strikes and protest in the impoverished salaried 'middle class' on the other. The polarization of Argentine society is today defined by the division in the middle classes: between those who have been able to insert themselves in the financial circuits and those who are in the salaried service circuits.

Notes

1. Interview 1-A.
2. Ibid.
3. Interview 2-A.
4. Ibid.
5. Interview 5-E.
6. Interview 8-H.
7. Interview 11-K.
8. Interview 14-N.
9. Interview 16-P.
10. Ibid.

11. Interview 17-Q.
12. Interview 22-V.
13. Interview 1-A.
14. Ibid.
15. Interview 2-B.
16. Ibid.
17. Ibid.
18. Interview 5-E.
19. Interview 7-G.
20. Interview 11-K.
21. Interview 5-E.
22. Interview 13-M.
23. Interview 17-Q.
24. Interview 22-V.
25. Ibid.
26. Interview 2-B.
27. Interview 1-A.
28. Interview 5-E.
29. Ibid.
30. Interview 7-G.
31. Interview 11-K.
32. Interview 17-Q.

9

The New Class Basis of Chilean Politics

In the plebiscite held in Chile in October 1988, the attention of the international press focused overwhelmingly on the exposed position of the ageing head of the dictatorship, Augusto Pinochet. For the new power bloc, however, comprising the armed forces, the capitalist class, bankers and technocrats, the primary concern was not the plebiscite as such but the need to safeguard the accumulation regime established over the past fifteen years.[1] The Pinochet regime served a number of invaluable historical purposes for the capitalist class: destruction of the Popular Unity government and of the socialist movements; consolidation of the military and civilian bureaucracies; integration of Chile into international financial, commercial and agricultural circuits; relocation of political debate on the terrain of private market discourse; and the elimination of most anti-imperialist intellectual currents. In the process of realizing these aims, however, the dictatorship incurred numerous enemies, provoked large-scale, sustained opposition, and eventually became an obstacle to the reproduction and legitimation of the new economic and institutional order. Fifteen years of terror and free market exploitation are not an appropriate basis for winning plebiscites. And the opposition political class, with a critical discourse, is capable of eliciting popular support and subordinating the mass of the population to a political pact with the power bloc – although this bloc itself is demanding stiff terms and setting very narrow margins for mainly legal-political reform.

The Reagan–Bush administration, a key player in the 'transition', provided economic aid and military collaboration to strategic groups in the New Order, while taking its distance from the figure and regime of the General. The cohabitation of an elected government with a

powerful presence of the armed forces would ensure Washington's essential economic and strategic interests, and Pinochet's acceptance of the plebiscite result confirmed the thesis that his essential role in history was as a soldier of the marketplace not as a personal dictator. As Washington and Chilean elites sought to deflect and subordinate the massive popular mobilizations of 1983–86, the plebiscite emerged as the basic instrument for channelling discontent into an electoral framework controlled by the traditional political class and compatible with the overall system.

The New Economic Order (NEO), as the regime itself dubbed it, thus installed a new set of social actors, created a new axis for capital accumulation and imposed a new relationship between the state and the international marketplace.[2] Its basic mechanism was a shift toward export of primary products (agriculture, forestry, fishing, minerals) and specialized manufactures. The state, through a series of measures, intervened on a massive scale to reverse the peasant-based agrarian reform programs of the 1960s and 1970s and replaced them with a new set of agri-business enterprises linked to overseas markets.[3] Business farmers now own and control the basic units of production: they exploit a small core of permanent laborers, as well as a much larger seasonal labor force. Under contract to local and foreign agricultural exporters, they invest heavily in pesticides, fertilizers and other modern inputs to increase the size and quality of their yields. In place of the traditional pattern of landlords and tenant farmers, today's agricultural class structure is characterized by a hierarchy of agri-business firms (suppliers and exporters), medium-sized capitalist farmers and a mass of super-exploited seasonal workers. The transformation of agriculture has produced a very uneven pattern of development: exports of certain fruit crops are expanding rapidly, while overall agricultural production has been stagnating. Expropriations have converted the peasantry into seasonal wage-workers and reduced their living standards, while concentrating income among business farmers and exporters.

The New Economic Order

In other sectors the New Economic Order deepened and extended the patterns of uneven growth. In the regime's first decade, hypertrophy of finance, commerce and speculative activity was followed by the financial crash of 1981–82 and a period of massive state intervention in which much of the private debt was taken over;[4] eventually private control was restored over finance, minus the presence of certain illicit actors. Manufacturing industry has undergone a general decline,

accompanied by privatization, reconcentration and centralization of capital.[5] However, 'deindustrialization' has not been a linear and constant process. On the contrary, certain industries have in recent years demonstrated a capacity to modernize and recover market shares. Thus, the performance of the NEO did not fit either the regime's image of a dynamic, expanding inclusive pattern of growth, or the picture painted by its critics of a stagnant, exclusive crisis-ridden system on the verge of collapse.[6] What we have is a very contradictory process, highly susceptible to sharp cyclical variations with deeply polarized sectors and classes embedded in or excluded from the political-economic apparatus.

Pinochet's first success was the dramatic shift in the relationship between public and private sector, achieved through massive transfers and sales of public enterprises. At the same time, industry has moved toward greater concentration and centralization, while the networks of distributors have polarized between, on the one hand, modern supermarkets and giant retail outlets and, on the other, an army of small vendors recruited from the mass of unemployed factory workers. In terms of both income and the social relations of production, the NEO demolished all institutional and labor constraints on the authority of capital, atomizing the labor force and sharply limiting its capacity for organization.[7] Pinochet effected a vast 'income counter-revolution', sharply increasing profits at the expense of wages and salaries. Chile today has one of the lowest wage/value-added ratios in all of Latin America (17 per cent of the cost of a product is attributable to labor) and the highest rate of profit.[8] In the countryside, the dominance of capitalist agriculture over the latifundia and cooperatives is based on the new chain of production and commercialization linking agri-business to the repressive apparatus of the state. The result is an unprecedented concentration of income in the hands of property-owners as against rural wage-laborers. This restructuring of the economy has been accompanied by a seemingly contradictory process whereby global decisionmaking, with all the means of allocative coercion, has been centralized in the state while the responsibility for the management of areas like health, education and local affairs has been decentralized to subordinate organs with scant resources.[9] In the context of 'privatization', then, the scope of local authorities has been further restricted.

Powerful linkages to the international market were a major element in the restructuring of the Chilean economy, facilitating the large-scale financial flows and impelling the decision to privatize the public sector and to shift production from manufacturing for the local market toward agricultural and mineral specialization for the export market. Soaring debt payments and international competition subsequently

imposed a long-term need to secure foreign currency and to finance the inputs to sustain export growth.[10] The relative decline of the internal market, together with the exigencies of external competitiveness, have contributed to the income counter-revolution and the development of a seasonal or 'self-employed' labor force – labor without social overhead costs for capital. The concentration of political and economic power in the dictatorial state allowed it to weather the abrupt cyclical downturns that have accompanied the process of internationalization and restructuring and the rather unfavorable overall economic performance.

The patterns of crisis and recovery are evident in the progression of industrial employment from 554,000 in 1972 (prior to Pinochet) to 450,000 in 1975, 567,000 in 1981 and 374,000 in 1982, with the latest recovery bringing it back to 575,000 in 1987.[11] With the highest per capita debt in Latin America, Chile's economy today depends more precariously than ever on outside funding and external markets – both of which in turn require wage levels to be kept below those of mining and agricultural competitors in the Third World.[12] The new social configuration which took shape in the Pinochet years linked influential financial sectors, agribusiness, medium-sized capitalist farmers and modernizing industrialists to overseas financial and multinational export sectors. This power bloc was backed by an army of civil and military functionaries dispensing regime patronage to marginal vulnerable groups.[13]

Pinochet's second major success was in the realm of political discourse. He did not persuade the opposition to accept his presidency until the end of the century – as he hoped to do with the plebiscite. But he defined the economic and institutional framework and rules of the game within which the electoral process could and would take place. In 1989 Chile no responsible electoral oppositionists spoke of agrarian reform – 'that is the dead language of the past', echoed one of the 'renovating socialists' who espoused the new realism.[14] Among the electoral opposition, modernity and realism spoke to the same technocratic, productivist discourse that was produced by Pinochet's economic advisors. The opposition shared with the regime the priority of promoting and maintaining 'efficient farmers', so long as they provided better housing and wages for their workers. Arguments for trade unions followed a similar line of reasoning: capitalist farmers were advised to accept 'pragmatic unionists' in order to avoid radical organizers who might disrupt production and export sales.

Thus, within the logic of the new pattern of accumulation, the opposition argued that its greater capacity to govern was more likely to avoid conflict and to improve crisis management, and that social change and reforms would help to consolidate the new pattern of export growth.

Political legitimacy and a better international image were themselves presented as a superior technique for extending access to markets, credits and economic aid. As events surrounding the plebiscite showed, the eschewal of mass confrontation within the narrow constraints of the 1980 constitution brought the vast majority of the political class to terms with Pinochet's new economic order. In order to challenge the regime effectively, the opposition would have had to confront the NEO itself and the broad array of social classes entrenched behind it. But not only did some of these classes form the natural constituency of the political opposition; they also controlled foreign exchange earnings and influenced foreign financial transactions which could impinge on its economic strategy.

The strength of the Pinochet regime did not rest solely on its control over the apparatus of repression, or access to overseas financial support (as important as these may be) – otherwise, it would not have been willing to test its strength in an electoral contest. Nor did it rest upon any exceptional economic performance. Rather, the regime's key support was the alignment of social forces resulting from the transformation of the economy and the new internal class linkages that accompany it – an alignment which would, of course, be endangered by a resurgence of popular power. The second source of Pinochet's strength lay in the conversion of the intellectual class from a critical revolutionary stratum into an institutionalized adaptive force operating 'inside the whale' of the New Order. The goals and structures of the Pinochet counter-revolution redefined the electoral debate: agrarian reform has been replaced by incomes policies; nationalization or socialization of production by debt management; socialism by liberal democracy. Nevertheless, the economic restructuring, the social dislocations and the roller-coaster of crisis and recovery have created three dynamic social layers from which a challenge could be mounted to NEO: (a) the growing mass of farm workers; (b) the urban social movements based in the *poblaciones*; and (c) the trade unions. Let us look at each of these in turn.

The New Working Class: Agro-Labour

The restructuring of capital and the shift to international markets have meant the restructuring of the working class, not its destruction.[15] The NEO increased the size of the working class – both its active 'employed' sector and its passive reserve army of unemployed. More important, the new pattern of accumulation has vastly expanded that sector of the working class which alternates between activity and

passivity, the seasonal workers. The central issue for new export-oriented agri-capitalism is 'labor flexibility': the capacity for capital to recruit and dismiss labor according to seasonal and export-market needs. Conversely, the central issue for labor is the insecurity of employment and the disjuncture between working time (period of waged employment) and 'living time' (the whole year). In this context radical organizers have political opportunities.

As land cultivated for export crops has doubled, and in some cases tripled, the increasing absorption of seasonal labor at below-subsistence wages has carried the agricultural labor force in less than a decade from tens of thousands to half a million wage workers.[16] The cash nexus is the only bond between agri-capitalists and these seasonal workers, most of whom are recruited from rural *poblaciones* or nearby urban slum areas in the four months between January and April. The principal sources of this recruitment are: former peasants displaced by Pinochet's counter-reform; land-reform beneficiaries who have lost their land as a result of debt; unemployed young people, women heads of households, and displaced male factory workers in the cities. The social relations of production are a throwback to the turn of the century: piecework wages range from $1.50 to $5.00, in a day that stretches from before dawn to nightfall. There is no housing, so workers either improvise in the countryside or commute back to slum dwellings. There are no medical services, insecticide poisoning is a frequent occurrence, and in some areas 'punishment centers' are in operation for labor indiscipline.

To maintain their absolute authority and high rates of profit while expanding export production, the capitalist farmers count on the state and private repressive forces, as well as the existence of a large pool of surplus labor. Moreover, the dictatorship was very generous in providing incentives, financial aid and infrastructural investment to promote the activity of the agri-exporters, who in turn were among the strongest political supporters of the regime. As always, the very success of this strategy led to the expansion of a potentially threatening wage-labor force: apart from the hundreds of thousands of fruit pickers, tens of thousands of fruit packers, shippers, transport and dock workers have been drawn into the cash nexus.

Expansion of the working class, together with a highly integrated transport and production network, have created the basis for new working-class organization and politics. But unemployment and employer-backed repression, involving the massive firing of strikers and the blacklisting of militants, have made the organization of productive workers very difficult[17] – further problems being the diverse sources of recruitment, the use of contract labor and dispersal of workers across the property boundaries of a large number of medium-sized farms. The

leading parties and personalities of the opposition, particularly those who put most of their effort into an appeal to middle-class voters, could hardly be expected to provide more than minimal assistance to the unionization of workers in a strategic economic sector, with all that that implies for a confrontational kind of politics.

Contrary to the view of some writers, the restructuring of the economy has led not to a diminution of the working class but to its restructuring.[18] Moreover, despite the formidable obstacles, it is likely that several factors will converge to detonate working-class organization. First, tendencies to fragmentation are partly offset by the relatively homogeneous sites of residence from which many farm workers are recruited, while unionization prior to recruitment at the place of residence can facilitate organization at the site of production. Secondly, the highly interdependent nature of agricultural production and distribution provides numerous points at which limited labor action at peak moments can have maximum results. Thirdly, crop specialization and concentration in specific geographic regions lends itself to concentration and homogenization in strategic 'poles of organization',[19] which can have a multiplier effect on adjoining areas. All these counter-tendencies go against the social-contract electoral politics of opposition politicians and intellectuals, whose imagery of a reformist middle class, a defused and declining working class and a socially marginal underclass serves to legitimate their pursuit of all-inclusive political coalitions that cut across the labor-capital divide. In contrast, the agri-capitalists themselves take the existing class divisions as the point of departure for their political definitions – clearly opting for the regime that sustains the political immobility of their labor force. Attempts by the political opposition to secure electoral agreements at the top undermine their only real option which is organization at the bottom. However, by shunning horizontal class conflicts in favour of vertical elite conflicts, the political and intellectual class does assure its political terrain: the opposition press, research centres and electoral activity are able to operate without severe hardship. In summary, then, the rapid expansion of the agri-business sector has created the preconditions of a new dynamic pole of working-class politics – one which could, by virtue of its size and strategic importance, challenge the regime. The major contradiction in Chile today is between these growing objective opportunities and the subjective political-organizational weaknesses.

The growth of the rural working class is directly linked to the growth of a surplus urban labor force, and the mobilization of new urban movements can have direct effects on the organizational propensities of the seasonal workers, particularly among those young workers and women who have had direct contact with neighborhood organizers.

Moreover, previous organizational experience among displaced peasants and former land-reform beneficiaries, together with the example set by packing and transport workers, could provide a matrix for the renewal of union organization among proletarianized seasonal workers. The key notion is that organic ties among different working-class segments provide the basis for class organization and solidarity leading to effective political action.[20] A view of the whole circuit of production, rather than the fragmentary vision resulting from sectoral analysis, will bring out the increasingly interdependent nature of the rural working class.

Urban Social Movements

The Chilean urban social movements have emerged from, and are largely organized through, the sections of the shanty-town dwellers. They include a broad array of organizations:

a) associations for subsistence, such as soup kitchens and urban family gardens;

b) demand-oriented associations addressing housing issues and utility bills;

c) local coordinating bodies grouping all community organizations at the local and district level;

d) organizations for national social and political representation, such as the United Slumdwellers Committee (CUP).

Of the two million slum-dwellers in Santiago, 220,000 belong to the grassroots organizations. Despite the repression, the community organizations have experienced rapid growth from 494 in 1983 to 1,200 in 1985 and, independently of their original intentions, have rapidly acquired a political character from the act of looking for collective solutions.

The breadth and scope of the *pobladores* organizations emerge from a simple listing of the actions in which they have been involved since 1980: development of community-subsistence and other independent organizations; presentation of demands to the authorities; utility payment strikes and illegal electricity hook-ups; land seizures for housing; raids on supermarkets and warehouses; raids on passing trucks and trains; 'workplace' organizing on the part of street vendors and occasional workers; demonstrations and street actions, including the erection of barricades and prolonged street fighting; destruction of government-

related offices and symbols in shanty-town neighborhoods; and self-defence actions.

The collective practices carried out by the urban poor reflect the arduous process by which the dispossessed constitute themselves as social actors, rather than a process of social disorganization or dissolution, as some writers have assumed. Chile's social movements are, in fact, a new form of working-class politics, combining struggles for changes in the general conditions of reproduction with demands for insertion in the productive process.[21] It is a fundamental conceptual flaw to counterpose 'movements' to 'class' – without examining the class composition of the movements, the context from which the principal actors emerge (declining industry) and the future perspective to which they aspire (reinsertion in stable wage labor). To fix on the dispersed, unemployed or self-employed individuals at any moment in time is to construct a theory on a conjunctural classification of 'class'. Only a narrowly empiricist style of research can transform the seasonal or reserve army of labor into a distinct and separate category from the working class.[22] For the process of capitalist production and reproduction depends upon the ejection and incorporation of labor at different points in its cycle, and even large-scale or extended exclusion from production does not create a qualitatively different set of social interests. Capitalist exploitation is experienced not only directly by workers employed in production but also by unemployed workers through their role as downward pressure on wages, or through their cyclical incorporation in seasonal work. Ex-factory-workers who become self-employed and join the neighbourhood organizations, perhaps working as seasonal wage laborers and usually aspiring to waged employment, do not cease to be part of the working class. The mobilizations, barricades and street fighting in the *poblaciones* reflect labor's adaptation of class struggle under conditions of severe state repression and absolute employer control at the workplace. The displacement of workers from the active to the passive labor force, and the growth of struggles at the point of residence rather than production, reflect adaptations by different components of the working class to the restructuring and cyclical nature of capital. The greater, not lesser, degree of proletarianization is evident not only in the countryside but also in the city, through the large-scale incorporation of women in the wage-labor force, the growing dropout rate and involvement in seasonal wage labor among schoolchildren, and the increasing impoverishment (decline of wages and loss of status) of public sector service workers.

The tendency of some social scientists to view the process of class formation through an approach that emphasizes (and magnifies) occupational and sectoral divisions is likely to understate the significant growth of the working class and to mis-read the axis of collective action.

This, as we have seen, is a chronic problem with the multi-class electoral appeals of the opposition politicians and parties. Indeed, there is a striking disaffection with their role among the neighborhood organizations. The struggle of the urban working-class social movements for socioeconomic change finds expression in the struggle for autonomy – which implies rejection of the traditional political hierarchy of the Chilean opposition, the Party at the top, civic and trade union organizations next and *población* movements at the bottom. As one leader of the CUP put it to me: 'The *pobladores* reject political parties for their failure to represent our interests. Their tendency to compete atomizes our organizations. The party representatives in the *población* organizations are under cross pressures – from the top to follow party directives [to support electoral demands] and from the rank and file for immediate social demands.'[23]

The different perceptions are evident in the assessment of the decline in mass demonstrations in central Santiago since 1986. Whereas, for the professional politicians, this signalled the retreat and defeat of the social movements, the view from the bottom was one of increasing local demonstrations, organization and municipal power within the working-class *poblaciones*.[24] While the professionals were focusing their minds on the plebiscite, the working-class *pobladores* were electing their own representatives to local councils, defeating incumbent Pinochetist candidates in almost half of Santiago's working-class neighborhoods. One *poblador* leader summed up his recent experience:

> Between 1983 and 1986 there were national mobilizations. During 1988 there was organization and consolidation: a decline of national mobilization and an extension of work in the neighborhoods. There is severe repression in the neighborhoods – over two hundred and fifty 'self-exiles' per month in 1987. Over 80 per cent were activists and leaders in the neighborhoods. There is a very high turnover. We have to counteract the national repression – to create sectoral opposition. Of the twenty-four municipalities in Santiago, twelve are with the CUP. The movements were not defeated or dismantled, but shifted from national to local organization. For the whisky-left, politics over a glass, we don't exist. We are 'obsolete', which is to say people are obsolete. Our social mobilization in the neighborhoods is not sensational – we had seventy-eight actions on 8 March 1988, none of which was reported, not even in the opposition press. Ideologues and journalists look at political not social facts. Of the eight hundred people killed in the national protests, five hundred came from the *poblaciones*. The logic of the parties is in conflict with the CUP.[25]

In some areas, the dynamic of the current social movements approximates to that of the late 1960s or early 1970s. It is true that in the movement to seize housing sites, for example, there were only thirty takeovers between 1980 and 1985, compared with 311 between 1969

and 1971. However, the number of participants is almost equal: 54,710 in 1969–71, and 51,447 in 1980–85. The greater concentration of homeless people in fewer actions reflected the need for a larger critical mass to resist the more severe repression unleashed by the Pinochet dictatorship. The growth of the urban shanty-town movement also expressed the entry of new social forces into the struggle against the dictatorship and its neo-liberal economic policies. Thus 40 per cent of delegates to the First Metropolitan Congress of Slumdwellers held in April 1986 were women and 72 per cent were under the age of thirty.

It seems clear that the massive presence of the urban movements in the national protests was instrumental in Pinochet's shift toward electoral concessions. In drawing the party elites into electoral competition, he counted on their influence to demobilize the social movements, on the repressive apparatuses to neutralize 'uncontrollable' activists, and on large-scale state investments in housing, infrastructure and employment to contain the dynamic struggles of the urban movements.[26] Nevertheless, the movements continue their upward trajectory, extending their social networks in civil society, and their relationship with political parties continues to be ambiguous and conflictual. As the right itself, through extensive subsidies, builds a rival local network among those classes living in extreme poverty, the social movements face two diametrically opposed options: either they can become the subordinate clients of the party elites within an essentially liberal electoral system; or they could develop their dynamic democratic practices, inherent in their local communities, and displace professional-intellectual tutelage in favour of a new type of popular democracy.

Trade Unions: The Reconstruction of a Social Movement

In conversation with a coalminers' leader in early 1988, we asked how it was possible that a union with fifty years of Marxist leadership could come under the influence of right-wing or even centrist leaders. His explanation was direct and to the point: 'the massive firing of over two thousand working-class militants, rank-and-file leaders throughout the industry and their replacement by apolitical peasant lads with no union experience under the leadership of right-wing military patrons'.[27] In March 1988 the visible signs of a slow but steady reconstruction of the coalworkers' union was evident. Despite heavy regime funding, the pro-Pinochet slate was defeated and four of the six delegates were from the left.

More generally, however, the trade union movement has been weakened by massive purges, state intervention, legal restrictions on

union activity and large-scale restructuring of capital forcing many workers out of industrial production. Particularly hard hit were the militant industrial organizations that were at the forefront of the social struggles during the Allende government. By one estimate, the employed industrial working class has been reduced by more than a half: in 1971 it numbered 620,900, in 1982 the figure was 275,000.[28] In the meantime unemployed workers increased from 91,800 in 1971 to 968,900 in 1982 (including in public works).[29] Thus the decade after the Pinochet coup saw a shift in the internal composition of the working classes from active industrial to 'passive' unemployed workers. With the economic recovery of the mid 1980s there appeared to be a reversal of this trend, as the number of active workers in production increased by 19 per cent from 1,609,000 in 1981 to 1,918,000 in 1987.[30] It may still be true that industrial workers have declined significantly as a proportion of the economically active population (from 23 per cent in 1972 to 17 per cent in 1982, according to Lagos and Tokman).[31] But it does not necessarily follow that there has been a decline in the qualitative importance of the working class. On the contrary, this would appear to have significantly increased with the growth of large-scale capital imports during the 1980s, the industrial recovery and the growth of exports. In the first quarter of 1988 the trade surplus tripled over the previous year to reach $593.7 million. Exports were up 49 per cent – including a 46.1 per cent growth in manufacturing exports, which contributed one third of the total.[32]

The decline in unemployment was accompanied by a revival of trade union activity and an increase in wage demands. Moreover, the results of union elections in the late 1980s favored the opposition, and a powerful movement to forge a new, unified labor confederation emerged. The growth of working-class pressure was evident in Pinochet's announcement on 1 May 1988 of a 24 per cent increase in the minimum wage, a 25 per cent increase in the family subsidy for lower income groups, and rises of 10–15 per cent in public sector pay. Real wages were predicted to rise by 5 per cent for the year – although this would still leave the minimum wage 20 per cent lower than in 1981, the year before the crisis and cyclical downturn in the economy.[33]

The recovery and growth of Chilean capitalism occurred precisely out of the crisis, which was accompanied by a shakedown of industry and readjustments between industry and finance. It is precisely a misunderstanding of the role of crisis that led many critics to view it as a terminal process or distortion rather than as a necessary ingredient of capitalist reproduction. Just as, during the previous conjuncture, some reformist theorists predicted permanent stagnation and ungovernability, in 1988–9 they argued that there was a need to adapt and preserve the dynamic aspects of the current accumulation pattern, while reforming

its authoritarian aspects. In the late 1970s and early 1980s, the 'decline of the working class' thesis became the basis from which electoralist ideologues called for alliances with the elite to manage the crisis; the growth of the economy became the basis for their call for cross-class transactions and all-inclusive political coalitions to elect a civilian regime. It is, therefore, not the 'decline of the working class' that is the heart of reformist politics but a willingness to collaborate with the new power centres.

Political strategists who fail to come to grips with the recomposition and resurgence of the working class are largely functioning within the narrow realm of the political class, in which individual vote-counts, realignments in the military high command and the multiplication of party elite coalitions count more than the social recomposition of civil society, the reconstruction of the workers' movements and the unification of the trade unions. A major obstacle blocking a qualitative increase in working class and trade union power – apart from state repression – is precisely the tendency of the electoral party professionals to intervene, compete, divide and subordinate 'their' trade union representatives to the electoral strategies. The political factor – not structural heterogeneity within the working class – artificially exacerbates the latent political differences and erodes overt social solidarity between diverse sectors of the working class. The homogeneity of working-class conditions – declining salaries, official incomes policy, arbitrary power of the employers, opposition to state control of unions, and the common pursuit of collective organization – more than compensate for differences in skill, income and sector. The basis for class politics in Chile continued to gain strength in the late 1980s. Social space opened up for a union resurgence, and the economic expansion created appropriate terrain for collective bargaining. Rank-and-file worker consciousness was more disposed than ever to support a unitary labor movement. Moreover, these developments occurred at a moment when the regime itself was increasingly dependent on industrial exports to sustain the balance of payments. In a word, the objective conditions were present for working-class insurgency – and particularly for the reconstruction of labor organizations if they were capable of establishing their autonomy of class action, and distancing themselves from the liberal electoral manipulation of the professional political class.

The most recent and significant addition to the working-class movement in Chile has come through the increasing pauperization and proletarianization of public service workers. For many social scientists, the waged and salaried workers in health, teaching or transport, and so on, are and always have been 'middle class'. But whatever their status and consumption aspirations, past or present, the brunt of the cost of

privatization and a market-oriented economy has fallen on the shoulders of public sector employees and professionals. Downwardly mobile, with declining incomes and job security, they increasingly resemble the industrial working class in living standards, working conditions and their propensity for collective action. Class politics – in the sense of the struggle between wage and property groups – has found new historic allies within the low-paid health and educational workers. It makes less and less sense, conceptually or practically, to separate 'public' from 'private' wage-workers, 'productive' from 'service' workers – particularly in a period when the market, capital and the state have drawn the class boundaries and benefits in such distinct and exclusive fashion. The privileged position of export-oriented private enterprise as the centrepiece of economic growth means that the current crisis among public workers and salaried professionals is not a temporary phenomenon but part of a long-term, large-scale erosion of income and status. 'Proletarianization' of public sector workers creates discontent and organization. The prospects for sustained struggles within the public sector will accentuate as a result of the lifting of the heavy hand of state repression and a rearticulation of the trade union movement. Throughout Latin America, the free market export strategy and the sharp fiscal cutbacks have forced massive and sustained protests among public sector workers. The loosening of political controls and return to electoral politics is likely to provoke a similar response in Chile.

The rearticulation of the trade union movement has, however, been severely constrained by the deep structural dependence of Chilean research institutes and trade unions upon European, US and Canadian foundations, corporations and trade union bureaucracies, each with their closely monitored political agenda. Within the Chilean trade unions, the American Institute for Free Labor Development and the ICFTU, among others, have provided the salaries that sustain leaders in a style unheard of before the dictatorship. The principal beneficiaries – Christian Democrats and Socialist 'Renovators' – have as a consequence been driven to pursue policies that minimize or marginalize the Communist Party, thus severely dividing the labor movement and reducing its effectiveness. More significantly, external funding has created a stratum of well-paid functionaries who shape their union struggles within the political framework of their party leaders and external patrons. As a result, the opportunities for organizing new unions, or for expanding the collective bargaining capacity of existing unions, pass through an intricate web of political coalitions and competing union structures that fragment labor action. Union cohesion and class solidarity are inversely related to the vertical ties of the leadership stratum to international financial backers: the stronger the latter, the weaker the former (and vice versa).

Communism under the Dictatorship

Before the dictatorship the Communist Party of Chile, which had a long tradition of participating in political and social struggles, was easily the most influential force within the trade union movement, with deep roots in working-class communities and an electoral strength between 15 and 20 per cent. However, it was also deeply committed to the norms and procedures of capitalist democracy and to a broad alliance policy geared especially to 'progressive' sectors of Christian Democracy – so much so that it was ideologically and organizationally ill-equipped to confront the bloody military coup and its aftermath. In the first phase after the coup, between 1973 and 1980, thousands of communist leaders and activists were killed, jailed or exiled – and many more were fired from their jobs. The internal composition and political direction of the Party then began to change as a new generation of middle-level leaders developed out of street-fighting and underground struggle. Between 1976 and 1980 an intense debate developed between the Old Guard, which still thought in terms of an exclusively political struggle and alliances with the center-right, and the new militants who argued for a political-military strategy that combined guerrilla actions, mass mobilization and an alliance of the left. In 1980 the position of these militants became Party policy, and a self-criticism of the conciliatory attitude toward the military and the Christian Democrats was officially accepted.

A sector of the left wing of the Communist Party now joined with the revolutionary-socialist MIR to form the guerrilla organization, the Manuel Rodriguez Patriotic Front (MRPF), while others turned to organizing and mobilizing in the shanty-towns. The MRPF never became a major challenge to the Pinochet regime, but it did enjoy the sympathy, if not support, of a large number of young, unemployed slum-dwellers. In 1983, when the first mass urban demonstrations began, the Front carried out parallel activities but was never able to integrate the military and social struggles into a coherent movement. Throughout the period from 1983 to 1986 the CP retained its dual character as a party with a strong, professional, electorally oriented political leadership and middle-level and rank-and-file militants tied to urban mass insurgency. The turning point came in September 1986 when the MRPF failed in its attempt to assassinate Pinochet. The center-right opposition coalition, frightened by the mass radicalization, shifted its policies towards the electoral arena and broke all ties with the Communist Party in the mass organizations. The divisions among the opposition, as well as Pinochet's frequent military occupation of the shanty towns, led to a decline in city-center mass protests. The reformist wing of the Communist Party now reasserted a broad alliance politics, abandoning guerrilla struggle and stepping up its efforts to regain trade union leadership.

The new phase was consolidated after the Communist Party announced in June 1988 that it would participate on the 'no' side in the plebiscite, despite the authoritarian and restrictive constitution under which it was to be organized. The language of class politics, multifaceted struggle and political rupture was retained in the Party's declaration,[34] but it was clear that the traditional leadership had once again taken control and direction of tactics and strategy. Nevertheless, the demands of the popular organizations, led by the communist militants, continued to shape and influence the behavior of the Party. Whereas the rest of the opposition focused almost exclusively on political and legal reforms, the campaign of the communists placed much greater emphasis on social and economic issues.

Conclusion

Neither the October 1988 plebiscite, though registering a majority in favour of Pinochet's withdrawal from the presidency, nor the December 1989 election of Patricio Aylwin as Chile's new civilian president has threatened the basic military and economic institutions, patterns of accumulation and class structures that have been established in fifteen years of dictatorship. A poll on economic policy, conducted in February 1988 by the right-wing Export Manufacturers' Association (ASEXMA), found 'many points of coincidence among antagonistic currents' from the right to the center-left, and Roberto Fantuzzi, a leader of ASEXMA, concluded that the survey results 'will help calm the anxieties of businessmen'.[35] And even though the country has returned to civilian rule the military high command retains control of its own institution, as well as a dominant position in the National Security Council with a veto on any legislation that they deem incompatible with national security. Moreover, within the civilian regime, former collaborators and supporters of the military regime are numerous, and those who favor the Pinochet socioeconomic model are taking the lead in formulating economic policy. The coalition-building strategy which 'reached out to the right' was a copy of the Brazilian experience, where the results included a profoundly regressive economic and social policy, immunity of military officials, loss of political legitimacy by the civilian regime, the rise of crime, growing state repression and four-digit inflation.[36] Recent political transitions in Latin America have generally issued in a dual society in which a highly mobile and vocal professional political class shares power with the military, and faces increasingly immobile, unrepresented and atomized working and salaried classes.

It is precisely because such a political outcome has occurred in Chile that it is necessary to identify the opportunities and possibilities that exist for an alternative transition. The potential exists today for a new working-class coalition, one that includes the wage-based agricultural workers, the dynamic urban social movements and the trade unions of industrial and public sector workers. The political-economic strategy of the existing state and its class allies is diametrically opposed to this new working-class majority. If one views politics from the bottom up, there are few opportunities indeed for political transactions with the existing socioeconomic order; a transition based on the interests of the subordinate classes implies a rupture with collaborators of the Pinochet regime. A transition through elite transactions, on the other hand, accommodates existing power configurations and includes a future of political and economic continuity at the top and at the bottom. From the popular assemblies in the *poblaciones* and the trade unions, an alternative form of democracy is struggling to establish its proper class identity. If and when it emerges, it will present a challenge to the professional political class now in government which purports to speak in its name.

Notes

1. There is a vast literature on the subject. For a summary discussion of the large-scale, long-term structural changes implanted by the Pinochet regime, see Alejandro Foxley, *Latin American Experiments in Neo-Conservative Economics* (Berkeley), 1983, pp. 40–112, and Sergio Bitar, *Chile: Liberalismo económico y dictadura politica* (Lima), 1980.

2. For a discussion of the regime's conception of the NEO, see James Petras, 'Pinochet's Strategy: Continuity into the 21st Century', *Against the Current*, May–June 1988.

3. See José Bengoa, *El campesinado chileno despues de la reforma agraria* (Santiago de Chile). The shifts in agriculture are quantified in Gonzalo Fulabella, 'El sistema de trabajo temporal', mimeo, n.d., 'Temporeros fruticolas', Centro el Canelo dę Nos (1986); and Martha Cline, 'Los trabajadores temporeros en Chile: Selección de prensa Noviembre 1987–Febrero 1988' (Santiago), 1988.

4. On the decline of industry see Bitar, *Chile*; on the concentration of financial power see Gustavo Arce et al., *Concentración y poder económico en los sistemas financieros del cono sur*, PRIES Cono Sur No. 9, September 1987. On state intervention see Patricio Rozas and Gustavo Marin, *El endeudamiento bancario de los grupos económicos*, PRIES Cono Sur No. 2, February 1988.

5. *Aspectos generales del desarrollo reciente del capitalismo en Chile y su impacto sobre la clase obrera* (Santiago), 1987.

6. An extreme version of this argument is found in Eugenio Tironi, *El liberalismo real* (Santiago), 1987, esp. ch. 5, 'El fin del modelo'.

7. Manuel Barrera et al., *Trade unions and the State in Present-Day Chile* (Santiago), 1986.

8. On comparative profits see *Relatorio Reservado*, Brazil, 14–20 December 1987, pp. 6 and 7; and *Senbor*, 3 March 1988, p. 41.

9. On health programs and the state see Rodrigo Contreras et al., *Salud publica, privada y solidaria en el Chile actual* (Santiago), 1986.

10. On the constraints of debt payments see Ricardo French-Davis, 'Los pagares de la deuda externa en el modelo neoliberal', *Politica y Espíritu*, No. 372, January–February 1988.

11. See *Aspectos generales*, p. 21.

12. Marin and Rozas, *Los grupos transnacionales y la crisis: el caso chileno* (Buenos Aires), 1988.

13. According to one researcher in the *poblaciones*, as many as two million Chileans receive some kind of subsidy. The percentage of income deriving from state subsidy is often as high as 70 per cent. Interview with Carlos Montes, 11 March 1988.

14. For a critical view of the 'new realism', see Petras, 'Transición, politica electoral y redefiniciones politicas', *Andes* No. 5, Santiago 1988.

15. The thesis on the 'decline of the working class' is argued in detail in Javier Martinez and Arturo León, *Clases y classificaciones sociales* (Santiago), 1987.

16. Cline, 'Los Trabajadores'. The following section draws on a workshop on seasonal workers held at Piret with several farm-worker organizers, 8 March 1988.

17. Ibid.

18. Martinez and León, *Clases*.

19. See Fulabella, 'El Sistema' and 'Tempereros fruticolas'.

20. During a visit to the población, Nueva Amanecer, we discovered a concrete example of this kind of horizontal solidarity. A strike in a nearby farm was in the process of being broken by the farm owner. Several women from Nueva Amanecer, leaders in the common kitchen movement, heard of the strike-breaking and organized a road blockade to prevent trucks from moving the fruit. The owner, fearing the loss of his market, came to an agreement with the farmworkers' union. While this experience of urban movement–farmworker solidarity may not be common, it does exemplify the possibility of coalition-building based on common interests. Interviews, 7 March 1988, Olla Comun Zona Oriente.

21. For a more detailed discussion, see James Petras and Fernando Leiva, 'Chile's Poor in the Struggle for Democracy', *Latin American Perspective* 124 Fall 1986.

22. Martinez and León, *Clases*.

23. Interview, Rene Tapia, 4 March 1988.

24. Interviews with Carlos Montes and CUP leader Mario Borgona, 11 March 1988.

25. Interview with Borgona, 11 March 1988.

26. Pinochet's 'National Civic Crusade' and his 'Plan Civico' are two expressions of his effort to win the plebiscite so as to create a long-term base for the regime. Interview with Montes, 11 March 1988. For a more detailed discussion of regime strategy among the urban poor, see Guillermo Campero, *Entre la sobrevivencia y la acción politica* (Santiago), 1987. The best single publication on the *pobladores* movement is *Hechos Urbanos*, published monthly by Sur Documentación.

27. Interview with Moises Labrana, President of the Mining Confederation, 4 March 1988.

28. Martinez and León, *Clases*, p. 88.

29. Ibid.

30. *Aspectos generales . . .*, p. 13.

31. Ricardo Lagos and Victor Tokman, *Monetarismo global empleo y estratificación social* (Santiago), 1982.

32. *Latin American Weekly Report*, 19 May 1988, p. 2.

33. Ibid.

34. See *Análisis*, 20–26 June 1988, pp. 20–21.

35. *Latin American Weekly Report*, 19 May 1988, p. 3.

36. Marcos Arruda, *Prometeu Accorrentado ou Os Grandes Grupos Economicos, o Endividamento Externo e o Empobrecimento do Brasil* (Rio de Janeiro), 1988.

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US HEGEMONY UNDER SIEGE
Class, Politics and Development in Latin America
JAMES PETRAS AND MORRIS MORLEY

From Menem's new Thatcherite experiment in Argentina, through Fujimori's unexpected victory in Peru, to Collor's near defeat at the hands of the rapidly growing Workers' Party of Brazil, Latin American politics is once again in turmoil. Whilst military dictators have been dumped from office, their liberal and populist replacements have found television exposure and playboy reputations insufficient to hold together societies still remorselessly squeezed by United States foreign policy. But US influence in the sub-continent is not only under siege from the impoverished masses of increasingly unstable states; it is also threatened by intensifying superpower competition as Japan and a unifying Europe mount their challenges for world dominance.

In this wide-ranging and original polemic, Petras and Morley examine the social structures which emerged from neo-liberal economic policy during the 1970s and 1980s. They show how Latin American society is increasingly organized around a continental bourgeoisie maintaining high levels of foreign investment, a national bourgeoisie operating on the margins of legality and committed to both economic deregulation and public-sector activity, and a growing class of low-paid and poorly employed workers subject to the demands of export-oriented capital. The authors argue that the integration of Latin American capital into international financial circuits is matched by technical and intellectual integration, with a collapse into conformity of formerly critical groupings.

For students and the interested general reader, this balanced and rigorous analysis of state power and social form provides a substantial new framework in which to consider the exigent questions of US–Latin American relations.

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